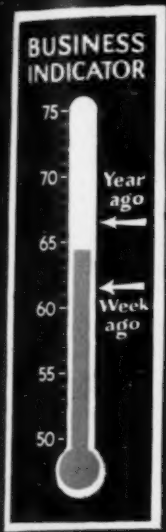
JAN. 26
1935

# BUSINESS WEEK




Wide World

FREEDOM OF THE MARKETS—Retailers met code price controls and sales taxes head-on in the annual convention of the National Retail Dry Goods Association. David Ovens (right), re-elected president, confers on results with Edgar J. Kaufmann, Pittsburgh department store head.

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# Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Congress will remain in session for some time. Had it been willing to pass the $4.88 billion emergency measure desired by the President without cutting out any of the delegations of legislative power, early adjournment would have been indicated. But even the top-heavy Democratic majority in the House demurred vocally and Senators will do considerable pruning.

### Hasn't Lost Grip

This does not mean the President has lost his grip on Capitol Hill. His fingers were burned just a trifle, just enough to be annoying, not enough really to reduce their power measurably. In asking for power not only to spend nearly $5 billions without Congress saying how, and for power to do virtually anything in the government he wanted without further sanction, not to mention the right to jail and fine objectors, he was just testing the ice. It was not quite thick enough for the whole wagon at once. But the freight will be carried across in packloads, except some of the heavier parts.

### To Extend NRA as Is

The President will ask for continuation of NRA with very few changes, it now appears. This is the easiest way out. Too many troublesome points loom if the whole subject is opened up in discussing new legislation. First hint was in attempt to slip continuing power over in $5-billion bill. Price-fixing for natural resources industries seems definitely determined. No other production control even possibly effective has been discovered. And several industries will fight with every legal resource available if deprived of present price control measures.

### No Change in 7-A

Even the troublesome Section 7-A about which hopes for revision were so strong in labor breasts, and about which such perturbation in auto and other circles existed, seems destined to be unchanged, for another year.

### New Fiscal Plans

Complete flexibility in federal fiscal arrangements is promised from the modified bond issuing authority planned. About $9 billions of new bonds would be authorized, and retirement of one issue could be succeeded by a new one without new authority. Wider distribution of bond ownership and lower interest cost to the government are hoped for.

> ***WHAT CONGRESS DID***
>
> ***The Senate:***
>
> ***Passed Connally oil bill, $100-million crop production bill, $777-million independent offices bill.***
>
> ***Voted $50,000 to continue munitions investigation.***
>
> ***The House:***
>
> ***Passed $4.8-billion work relief bill, crop production bill, District of Columbia appropriation bill.***
>
> ***Voted to continue probe of War Department purchase methods.***

### Holding Company Tax

A graduated tax on dividends paid by electric operating companies to their holding concerns is the President's latest plan in the utility field. The tax would start light but mount yearly. No doubt whatever exists that the President retains a determination to extirpate Wall Street management from the power industry to the extent of his ability. Congress seems in accord with this objective.

### Texas Hot Oil Threat

East Texas is planning to put on a show that will frustrate all effort to curb oil production, unless Congress acts quickly. The special House Committee, however, seems in no hurry to repair damage caused by the Supreme Court decision on the oil code. It is disposed apparently to give Texas a chance to demonstrate that it can handle the situation.

Oil legislation, which will shortly be proposed by the committe authorized by the House Interstate Commerce Committee this week to consider this subject, will not give Ickes the free hand he wants.

### Eastman's Bills Ready

Coordinator Eastman's portfolio of transportation bills will be submitted in the next few days, with a Presidential message on the whole question of transportation. Eastman bills will include ICC regulation of all forms of transportation except the air (for which temporarily a special commission), also the new pension plan and dismissal wage, compulsory consolidation of railroads to a limited extent, extension of the life of the coordinator's office, and revision of Section 77 of the Bankruptcy Act to expedite railroad financial reorganization.

### FCC Wants Full Sway

The Federal Communications Commission wants all the power it can get, not only control of Western Union and Postal but of teletype, and full control over services, including such ICC-like functions as refusing to permit discontinuance of unprofitable lines and offices. Government ownership advocates strongly support the proposed degree of regulation, thinking it leads in their direction.

### Tax Diversion Unchecked

Valiant effort of highway builders in session here to check diversion of gasoline taxes levied for road work to other political channels will get precisely nowhere.

### Textile Wages Under Fire

The President is still looking askance at low wages in the cotton textile industry, as Britain pleads for reduced duties on textiles so she can buy American exports, and the District of Columbia Supreme Court upholds his right to raise wages and reduce hours under the textile code.

### Protest Unionized CCC

"Unionizing relief" is charged as Director Fechner insists union labor must be employed in further CCC construction. Disorganized union circles here are cheered at prospect of being able to present a united front to Congress on one point at least.

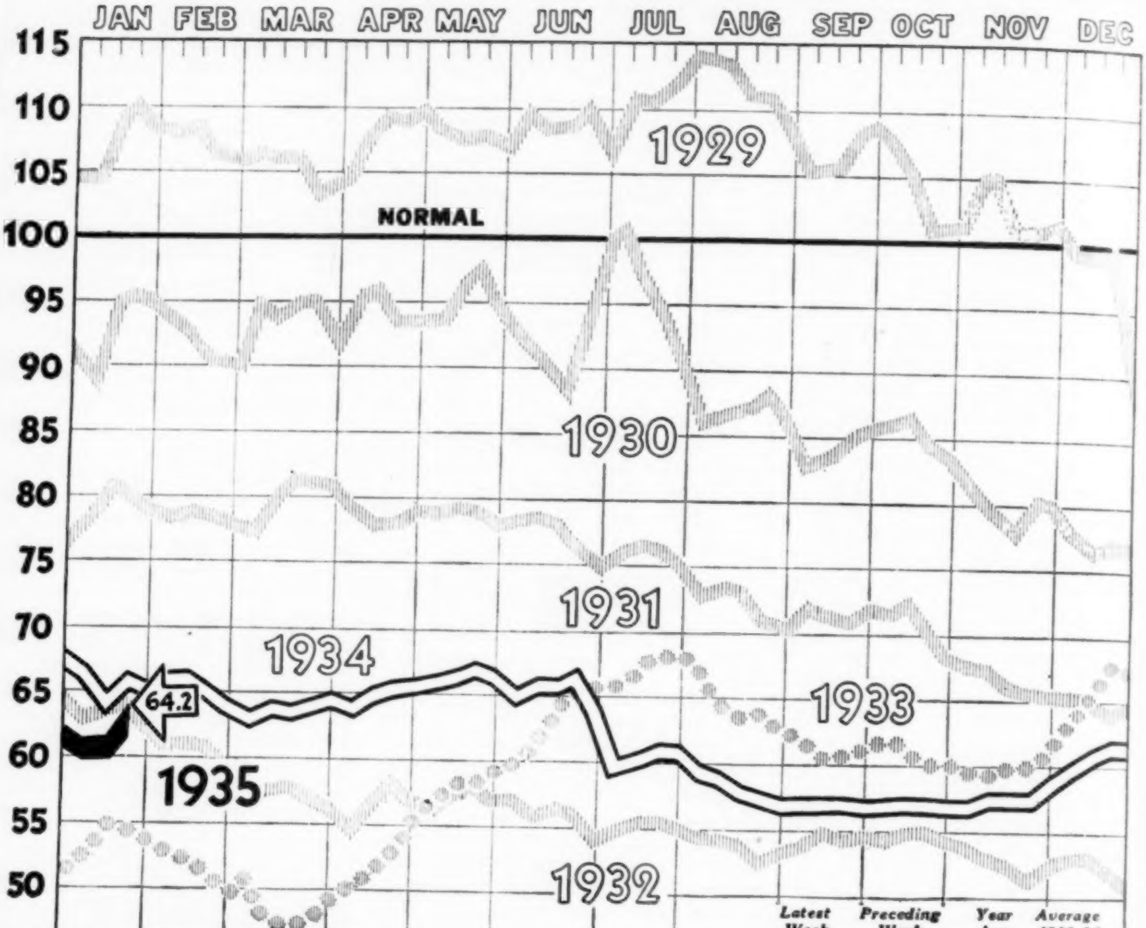
### Ickes in Hot Water

Whatever Ickes gets from Congress this session will come because Roosevelt puts on the heat. Opposition to him from honest critics and pork hunters combined is so strong that his friends are preparing a strategic retreat.

### Increase Loan Limit

The Administration is expected to endorse the move to increase (from $2,000 to $50,000) modernization loans which are made by banks and private institutions but guaranteed to the extent of 20% by the Federal Housing Administration. Idea is to attract private capital into what has been regarded as the RFC field by including modernization of factories. RFC has found bankers more liberal once they have learned RFC is likely to approve a loan.

# WEEKLY INDEX OF BUSINESS ACTIVITY




| | Latest Week | Preceding Week | Year Ago | Average 1930-34 |
|---|---|---|---|---|
| **BUSINESS WEEK INDEX** | *64.2 | †61.6 | 66.3 | 72.6 |
| **PRODUCTION** | | | | |
| ★ Steel Ingot Operation (% of capacity) | 49.5 | 47.5 | 32.5 | 39.5 |
| ★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis) | $3,930 | $3,684 | $7,955 | $7,285 |
| ★ Bituminous Coal (daily average 1,000 tons) | *1,275 | †1,429 | 1,230 | 1,384 |
| ★ Electric Power (millions K.W.H.) | 1,778 | 1,773 | 1,625 | 1,652 |
| **TRADE** | | | | |
| Total Carloadings (daily average 1,000 cars) | 92 | 91 | 93 | 107 |
| ★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars) | 58 | 56 | 57 | 66 |
| ★ Check Payments (outside N. Y. City, millions) | $3,657 | $3,522 | $3,061 | $3,967 |
| ★ Money in Circulation (daily average, millions) | $5,391 | $5,435 | $5,369 | $5,189 |
| **PRICES (Average for the Week)** | | | | |
| Wheat (No. 2, hard winter, Kansas City, bu.) | $1.00 | $1.03 | $.86 | $.74 |
| Cotton (middling, New York, lb.) | $.127 | $.127 | $.115 | $.104 |
| Iron and Steel (STEEL, composite, ton) | $32.62 | $32.57 | $31.17 | $31.15 |
| Copper (electrolytic, f.o.b. refinery, lb.) | $.088 | $.088 | $.081 | $.095 |
| All Commodities (Fisher's Index, 1926 = 100) | 81.1 | 80.7 | 72.1 | 73.0 |
| **FINANCE** | | | | |
| Federal Reserve Credit Outstanding (daily average, millions) | $2,466 | $2,466 | $2,656 | $1,810 |
| Loans and Investments, Federal Reserve rep't'g member banks (millions) | $18,264 | $18,158 | $16,447 | ...... |
| ★ Commercial Loans, Federal Reserve reporting member banks (millions) | $4,537 | $4,553 | $4,732 | ...... |
| Security Loans, Federal Reserve reporting member banks (millions) | $3,070 | $3,025 | $3,486 | ...... |
| Brokers' Loans, Federal Reserve reporting member banks (millions) | $921 | $876 | $802 | ...... |
| Stock Prices (average 100 stocks, Herald Tribune) | $97.80 | $97.95 | $103.20 | $117.63 |
| Bond Prices (Dow, Jones, average 40 bonds) | $96.50 | $96.38 | $88.62 | $87.97 |
| Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange | 1% | 1% | 1% | 2.1% |
| Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City | ¾% | ¾-1% | 1¼% | 2.9% |
| Business Failures (Dun and Bradstreet, number) | 274 | 282 | 333 | 648 |

* Preliminary † Revised ★ Factor in *Business Week* Index

# The Business Outlook

NEITHER the uncertainty surrounding the gold clause decision, nor the staggering implications of the social security program, nor the size of the $4.9 billion work relief fund can restrain the upward surge of steel and motor production. Even our thermometer thawed out a bit, outdoing its customary performance by rising more than 2 points to 64.2% of normal.

Helping to sustain the higher level of activity this month is the expansion of construction, particularly in the residential field. New business booked at lumber mills recently was the highest for any week, except one, since May, 1934, with the West Coast surpassing all of 1934.

### More Checks Circulate

Cold weather adds its bit to boosting coal and electric power production, while miscellaneous freight is the best performer in carloading data. And the satisfactory increase in trade activity in industrial centers that began to show up in the records of check transactions recently continues, the Chicago Reserve district heading the list with a 36% gain over a year ago, followed by Philadelphia, New York and Cleveland.

### Smaller Retail Gains

Only scattered reports of retail trade activity are yet available, though there is an impression that the pace of the last quarter has slowed up a bit. New York department stores say their sales are running slightly under those of last year. For the country as a whole, it seems reasonable to expect a small increase, less than 10%, over the 69% of the 1923-25 average which obtained a year ago. Chain store organizations, which did 25% of the retail business in 1933 compared with 20% in 1929, feel the month's sales will top last year by a fair margin. Since most prices, excluding foods, are below last year's level, any gain in sales over last year means a gain in unit volume.

### Shoe Factories Move

Though the shoe industry is out to boost 1935 production still closer to the 1929 level, Massachusetts is distressed to see its premier position being wrested from it by neighboring states. In the first 10 months of 1934, the Bay State lost 6% in output compared with the preceding year, while New Hampshire showed a gain of nearly 10%, the best for any shoe state. Resort to wage reductions is now being made in addition to requests for reopening the shoe code to prevent migration of plants.

### Rayon Makes New Record

Rayon producers are elated at establishing a new record in production last year, though the rate of increase has slowed up from previous years. Consumption was off 4%. Imports reached an all time low; exports a new high.

### Cotton Labor Threats

Other textile manufacturers are less pleased at the rayon record. Cotton mills, whose operations are being closely examined from all angles by government investigators, point to their losses in the last half of 1934 resulting from sharply rising costs and unsatisfactory sales. Despite the latest vindication from wage chiseling charges, threats of labor difficulties continue to harass the mills. Cotton garment manufacturers feel particularly hard hit by losing their case on the right of the President to impose a 36 hour week with compensatory wage increases. In New York, some 100 shirt manufacturers employing 20,000 workers have closed their mills in protest against prices paid them by jobbers which they say are inadequate to pay NRA wages.

### Steel Mills Busy

Steel is now up to the 50% of capacity mark, having risen 10 points within a month, and reaching a level not attained last year until well along in April. Sheet and tin plate mills are even higher. It seems unlikely that the same pace will continue for the next two months, though further increase is anticipated for several weeks more.

### Detroit Employment Up

Employment at Detroit rose from 91.2% of the 1923-1925 average on Dec. 31 to 101.4% by the middle of January. A year ago, the index stood at 75.7%. No wonder activity in motor centers dispels any impression of a depression. Ford, in particular, is stepping up schedules to almost incredible totals. For the first quarter, Detroit hears he is planning to assemble 430,000 cars, more than the whole industry produced in the same period of either 1933 or 1932. Assembly plants at Memphis, St. Paul, and Cincinnati are being reopened to take care of the output, following the opening of similar plants at St. Louis and Long Beach, Calif.

### Big Production Schedules

Chevrolet is planning to make 245,000 cars in the first quarter. Chrysler thinks in terms of 90,000 in January, 100,000 in February. Automotive parts plants are busy 6 and sometimes 7 days a week to supply the pressing need for parts, a program that made 1934 a banner year for many concerns and which promises equally well for 1935.

### February Threat

Only one threat may disrupt this feverish activity in the automobile centers, and that is the rumbling from labor leaders who oppose the extension of the motor code after Feb. 1 and who plan a big demonstration in February. Manufacturers who scanned returns of representation elections held so far and noted the paltry votes cast for all unions are confident that labor is eager for work and income rather than controversy just now. All sides are interested in the stabilization report to be announced soon.

### Construction Picks Up

Construction contracts in the first half of January are 25% ahead of the December daily average, with residential volume up 53%, non-residential up 37% and public works and utility awards up 9%. Compared with last year, the changes are disappointing except with regard to residential which gained 53% over last year's meager total. It was the alteration and modernization field that fared best in 1933 and 1934, in both public and private work. According to the Dodge records covering 37 states, new construction contracted in 1934 was 15% ahead of 1933, while alterations gained 59%.

### Insurance Sales Up

Insurance sold in December, 1934, shot up to the highest figure since March, 1932, and was 17% better than a year ago. Industrial and group insurance made gains of 24% and 28% over December, 1933. The year as a whole gained 10% over 1933, with the Western Mountain states showing gains of 21%, the South Atlantic states a gain of 18%, and the West South Central states up 15%.

### Electrical Industries Gain

Home appliances, government power projects, and industrial modernization lifted sales of 78 electric equipment manufacturers from $325 millions in 1933 to about $410 millions in 1934, a 26% gain.

NRA CODE GRAPHIC ARTS INDUSTRY
BUSINESS WEEK
JANUARY 26, 1935

# Too Much Wagner

## Approving Administration's general objectives, political leaders and sociological experts vigorously criticize proposed bill, full of New York Senator's ideas.

WIDE approval of the President's general idea and plan of social security legislation had gone very little beyond the first appearance of the outlined program before it was overtaken and overwhelmed by the realization that the Wagner-Lewis-Doughton bill was in many ways out of step with the sound premises of the economic security report. This bill, the Administration measure, sets aside the experts plan for a national, uniform system of unemployment insurance, similarly sidesteps the proposal for a federal-subsidy plan, and incorporates, almost unchanged, the plan of the Wagner bill of succeeding previous sessions of Congress for baiting the state governments into putting in unemployment and old age insurance plans of their own.

### Senatorial Insertions

The most essential difference (in the unemployment insurance plan) from the original Wagner bills is that the ultimate of payroll tax is reduced from 5% to 3%. In addition, Senator Wagner has slipped in his own idea of what unemployment is, by providing that strikers are to get all its benefits, and holding that they are involuntarily unemployed if they refuse to accept jobs that require them to join a company union or keep them from joining a "bona-fide" union.

Both the President (who pretty specifically recommended the basic Wagner bill provisions for a state system) and the Committee on Economic Security urged speed in enacting the laws, even if they must afterwards be changed, on the ground that 44 of the 48 state legislatures will be in session this year, and some not again for 2 years. Thus if their state legislation to meet the government requirements is to be enacted, the federal law should be passed before the present session of Congress is much older.

In view of the fact that many who have worked on the report—including members of the Teagle committee of the Business Advisory and Planning Council—feel that the 6 months allowed for the preliminary study was too short, and that even Miss Perkins' spokesman, E. E. Witte, agrees that much basic revision of the Wagner bill must be made, this desire for speed is somewhat disconcerting. The omnibus Wagner bill, including all 4 of the President's recommended plans, will cost $98,400,000 the first year, $217,500,000 the second, and will jump almost immediately to $400 millions annually. The annuity payments which will come later to provide the funds for the compulsory old age annuities and ostensibly to take the place of the old age benefits direct from taxation, will climb ultimately to $1,300 millions a year, according to Mr. Witte, and to $2,800 millions, combining all totals, by other estimates. Not the least of the significance of these figures is the fact that although the old age pensions and unemployment insurance will take people off the dole, these unfortunates will then be cared for from direct taxation (on payroll totals) instead of by deferred loans against the future, as now. It will make a profound difference in our economic structure.

The Wagner bill has been paraphrased in the daily press, but its salient points should not be lost sight of. It combines old age, children's, and unemployment pensions, and the compulsory annuity plan which is designed to replace old age pensions with a contribution up to 5% of the payroll paid equally by employees and employer. The health insurance mentioned in the committee report is not included in the bill, but provision is made that the United States may enter the voluntary annuity business, compete with insurance companies.

### Points Left Out

The uniform federal system of unemployment insurance, recommended by the experts, was set aside, and the bill contains the well-known Wagner plan of providing that the 48 states experiment with unemployment insurance plans without, in the original bill, making any provision for the shifting of labor from one state to another or from one industry or plant to another. Under the bill, the federal government is to establish certain standards and collect a uniform tax on payrolls, 90% of which tax is to be returned to the states which comply with the federal standards, to be used in their own insurance plans, the taxes from employers in non-complying states to go into the general funds of the Treasury, not even earmarked for unemployment relief. The rate of the payroll tax is to depend on the Federal Reserve index, and will be 1% or at most 2% during the next 2 years, unless the index rises to 95% of the 1923-35 average (it was 74% in November). This is for the unemployment insurance,

*Underwood & Underwood*

**KNOTTY PROBLEMS—House Labor Committeemen delve into the old age pensions and unemployment insurance phases of the latest edition of the Wagner-Lewis bill, which over their protest has gone to the Ways and Means Committee. Left to right: Representatives C. V. Truax, J. H. Gildea, W. P. Connery, Jr., chairman, J. H. Eagle, and G. J. Schneider.**

and the maximum is to be 3%; old age annuity collections will start at 1%, rise to 5% by 1957 and will be paid half-and-half by workers and employers. Most of the details of the unemployment insurance plan are left to the states, as was the case in the original Wagner bills. Provision is made, however, for companies and industries to arrange for their own retirement plans under state supervision.

### First Criticisms

The criticisms of the Wagner-Lewis-Doughton bill, so far as they have already appeared, originate with politicians and experts in the social sciences. Business and industry, which must pay the bills, have yet to be heard from. The White Sulphur Springs conference (*BW--Dec22'35*) indorsed the broad idea, but urged careful study and time for the creation of a workable system, pointing out that owing to the fact that the country could not immediately build up the necessary reserves, such time was available.

Practical statesmanship criticizes the Wagner bill because it deals with matters that should go into 4 separate bills. Practical sociologists object to it because it provides neither for the waiting time before benefits begin (16 weeks was suggested by the Economic Security committee) nor for the sum to be paid for unemployment benefits ($15 a week was the committee's figure).

The supposedly self-supporting idea is criticized as not guaranteed by the bill's provisions, particularly as to old age annuities. Many oppose the 48-plan idea, hold that the uniform, federal plan is alone workable in this large country. The financing of the compulsory old age insurance is attacked from various angles, and its solvency questioned unless surtaxes on income and heavy inheritance taxes are provided. The whole confused picture of costs and sources of the funds to defray them is pilloried by the critics who foresee bitter difficulties and considerable waste motion before the United States reaches the end of this row.

### A Conference Job

Basically, however, the criticism of the "hurry-touch" technique is most general—and the answer to the other criticisms is probably included in its solution. Few believe that Congress can or will pass the bill in anything like its present form. The House may, as is its custom in similar great matters, pass the bill under a gag rule and then await the Senate's slow deliberations and decisions before taking up the revisions seriously. The bill must be passed first by the House (having to do with fiscal matters) before it can come to the floor of the Senate, and the chief work on the bill, for the House, will probably be in conference, and on the floor after the conference is finished.

# Work Relief

**Senate asserts its independence, to curb Presidential powers and earmark some funds.**

CURBING part of the more dictatorial powers, revamping other delegations of authority to conform to the Supreme Court's oil code decision, and earmarking some of the $4.88 billions of the President's emergency bill seem assured by the Senate. Senators were sharpening their knives even before the normally docile House Democrats began their worm-turning. There is no strong move in sight to cut the gigantic appropriation, which Admiral Peoples said contemplated an average monthly wage of $50 on jobs for 3.5 million men.

Although adhering closely to the President's message of Jan. 4 in its work features, the bill contains some surprises. It specifies slum clearance, rural housing, rural electrification, reforestation, soil erosion control, blighted area and submarginal land reclamation, improvement of existing road systems and construction of national highways, grade crossing elimination, CCC work and "other useful federal and non-federal work." It also gives the President broad authority to reshuffle federal agencies.

### Can Shuffle Powers

The President may utilize and prescribe the functions of any government agency, including a corporation; may consolidate, redistribute, abolish or transfer functions; and may delegate these powers to any government agency.

Funds under the bill are made available immediately rather than waiting until after June 30 to tap the $4 billion lump sum asked for in the budget. In addition, $880 millions of unexpected balances from past appropriations is thrown into the pot.

The question of who shall administer the fund and run the big show still is purely conjectural, but the President's message indicated that a new central authority would be set up. Those who have to make guesses still are of the opinion that a board will be at top—possibly including Richberg, Hopkins, Morgenthau, Ickes, and other prominent New Deal chieftains, and saving everybody's face. A one-man control, however, still is possible or a coordinator in active charge under supervision of a board.

The scope of employment under the program is indicated by a statement of Harry L. Hopkins to the effect that the 3½ million men mentioned by the President does not mean an increase by that amount but a total figure for work relief in 1935-36. Present work relief is carrying 2½ millions.

Of the work relief type of activity, CCC is susceptible to quickest expansion. Highway work may be developed most rapidly in terms of heavy construction.

Harris & Ewing

**EDWIN E. WITTE—The executive director of the President's Committee on Economic Security appears before the House Ways and Means Committee to urge speedy action on the "social-security" measure.**

A survey among the 48 states indicates a grand total of $691 millions in definite projects which can be started quickly and an additional $1,007 millions which can start within a year. This includes grade crossing eliminations and bypass routes around cities. Rural electrification and some other phases are slower.

# Labor Hearings

**NRA goes into labor debate with no advance agreements on policy.**

ANNOUNCEMENT of plans for NRA's important labor hearings Jan. 30 reveal that policy on code provisions for employees is not nearly as well defined or generally agreed upon by the Administrative Board as was that outlined before the first open forum on price-controls (*BW—Jan15'35*).

By ruling discussion of Section 7-a out of order, the board, right at the start, avoided placing itself on record on the most controversial labor problem of all. Furthermore, indecision on wages above the minimum and on geographical wage differentials could not be covered up. Also, the board's statement that increased productive volume is believed the chief hope for future reemployment cannot be taken as a final pronouncement. Sidney Hillman made it clear that he differs on this point. Besides being an NRA member, he is a leading official of the American Federation of Labor, which favors a 30-hour week.

So the board's agreement rests chiefly on approval of minimum wages and maximum hours, and on the acknowledged need of simplifying and coordinating code labor sections.

# New Tool Steel

## Recently developed alloy in which molybdenum predominates invades tool steel markets with claim of many advantages for high-speed tools.

A NEW development in high-speed tool steels, welcomed by the enthusiastic as revolutionary, recently invaded the market. It is MoMax, controlled by Cleveland Twist Drill Co. through ownership of Emmons Patent, No. 1,937,334. The new steel is said to be the most important contribution to the industry since the work of Frederick W. Taylor and Maunsell White.

MoMax is a real American product. Its potentialities are said to be so great that they affect even the future of the national defense. In brief, the new steel substitutes a heavy percentage of molybdenum alloy for a heavy tungsten content which formerly was recognized as the most effective formula for high-speed work. The most cautious claim is that it cuts as well as the older alloy and is scarcely distinguishable from it. But it has outstanding additional merits. In weight it is 9% less, cost is much lower, it machines with greater ease, it is tougher hence resists breaking under twists, its "moly" content is a domestic product. MoMax is being introduced in manufacturing drills, reamers, cutters, hobs, lathe tools, and in hacksaws where several years of use have proven its virtues.

### New Formula

Formerly the standard high-speed steel alloy formula was 18-4-1. This meant 18% tungsten, 4% chromium, 1% vanadium. The new steel might be formalized as 8-2-4-1; 8% molybdenum, 2% tungsten, with the chromium and vanadium content remaining the same.

Introduction of the new moly steel has wide ramifications. Steel makers have inventories of tungsten and the old tungsten steel which are vitally affected by the new competition. The same situation affects tool makers with tungsten steel on hand or in the works. Much tungsten is reclaimed from scrap when old tools are traded in for new ones. But new supplies come entirely from abroad and introduction of the new steel will affect the livelihood of distant Chinese.

### Home from China

About 75% of our tungsten originates in China. For the first 10 months of last year we imported 1,455,000 lb. of tungsten ore valued at $316,376. Much of this came from the deep interior of China, traveling on the backs of coolies, then on mules, then by small boats to the ports. It was a threat to this distant supply during the World War's ship shortage and submarine campaign that started experiments. Tungsten then sold at over $3 per lb. The 2 metals are of the chromium family. American deposits of moly are practically inexhaustible. Importance of the shift might be vital if tungsten supplies were ever cut off by a war in the Pacific.

At the time of the World War molybdenum was used in hand tools but its inclusion in high-speed steels was unknown. The government started experimenting. Federal interest waned when peace came, but private industries carried on. Early successes were attained by Clemson Bros., Middletown, New York, in cooperation with Universal Steel, Bridgeville, Pa. Clemson hack saws of this metal were put on the market several years ago and have been vigorously pushed. Some other hack saw makers now use this steel.

The Clemson-Universal experiments ran into those of the Cleveland Twist Drill. No unpleasantness resulted since the former companies ultimately were licensed under the Emmons patent. Research for Cleveland Twist Drill was conducted by Dr. Joseph Emmons, eminent metallurgist. Under his patent, many steel makers have taken out licenses. Besides Universal these include: Cyclops Steel, Titusville, Pa.; Ludlum Steel, Watervliet, N. Y.; Crucible Steel, New York City; Braeburn Steel, Braeburn, Pa.; Latrobe Steel, Latrobe, Pa. Others are investigating. Various tool makers are buying from the above companies, some of whom advertise the new steel under their own trade names. A large percentage of the original ores are supplied by the Climax Molybdenum Corp., and the Molybdenum Corp. of America.

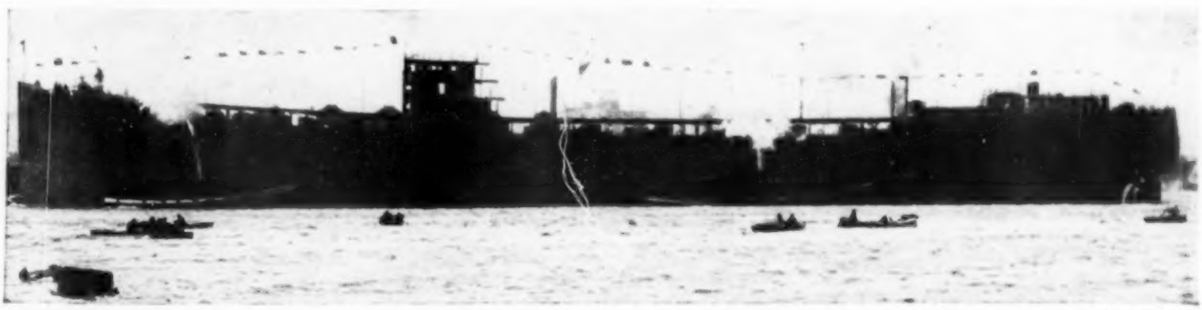
Concern over inventories of tungsten and tungsten steels caused a soft-pedaling of active selling for the new molybdenum alloy. But claims for a large saving in cost, together with other superiorities, made it impossible to keep it under cover. One of the first tip-offs was a Socony-Vacuum advertisement this month which disclosed that this progressive concern already had developed a special oil for the new moly steel. Recently Universal Steel and its affiliated Cyclops Steel stepped out with advertising campaigns for their MoTung brand of MoMax.

From now on intensive competition can be expected. Cleveland Twist Drill is in the key position since its tools can be made of MoMax, other companies must manufacture under its patents.

# Bus Buyers

## Transit companies increase buses for city use, prefer double-enders.

TRANSIT company bus purchases in 1934 —taking in only the buses bought for city use, not for the great intercity lines —totalled 2,087 in 1934, according to *Transit Journal*. Purchase in 1933 were 1,280, but 1934 is still under the 1928 record—2,125. Interestingly enough, 1934 went overwhelmingly in favor of the "transit type" (these are the ones that look as if they had two ends, like



Business Week

**NEW TANKER LAUNCHED—Fourth ship in a $5-million building program, the 9,600-ton *Socony-Vacuum* slides into the river at New York Shipbuilding Corp.'s Camden, N. J., plant. The tanker, owned by a Socony-Vacuum subsidiary, cost $2 millions, has turbine-driven propellers and pumps, 5,300,000-gal. cargo capacity, will be broken in on Atlantic coastwise service.**

the lowly earthworm), of which 1,640 were bought, to 447 of the hood type.

The new buses were bought by 215 companies, and 31% went to cities over 500,000, 35% to those between 100,000 and 500,000, 22% to those between 25,000 and 100,000. The biggest order was from Detroit, 95 buses. The Madison Ave. Coach Co., New York City, which is soon to take the place of the oldest street railway in the world, bought the third largest order—77 buses.

## Trolley-Motor Bus

**Latest transit vehicle can follow the wire or roam at will.**

THE answer to the transit industry's prayer—a vehicle that will do all the things buses will do and still have the power and acceleration of the electric car *and* will continue to make the power plant investment useful and profitable—has apparently been found by Public Service Corp. of New Jersey.

Public Service has just filed orders for 62 "all-service" vehicles which will be trolley buses where there are overhead lines and, thanks to a gas-electric engine, can run "on their own" in the suburbs where there are no power lines.

Public Service Corp. is the second largest operator of buses in the world—London General alone has more than the 1,620 motor buses P.S. has built into its operating plan in the last decade. Its standard buses weigh 20,000 lb., are gas-electric powered, with the motor in front, but the new designs will weigh only 18,000 lb., the engine and motor-generator set will be built in the rear.

**Engine Has Supercharger**

The wheels will be driven by the electric motors, which can be operated either from the overhead trolleys or from the gasoline engine. There will be two 35 hp. electric motors, capable, as electric railway motors are, of a 300% overload on starting and on hillclimbing. The gasoline engine will have a rated capacity of 126 hp., and will use, for the first time in such vehicles, a supercharger which can increase its power to 160-hp.

The new vehicles have many advantages beyond the obvious ones. Substitution of trolley buses for cars can be made with the permission of the state commission and without giving up the perpetual franchises that go with tracks and poles. The unlimited power available from the central power plant and the greater drive on the wheels are retained. Besides these, the ability to move the vehicles on their own power to downtown storage lots, instead of sending them to the barns and later bringing them back to the center of town for the peak loads, will mean big savings in operating costs annually.

# Manufacturing Lesson

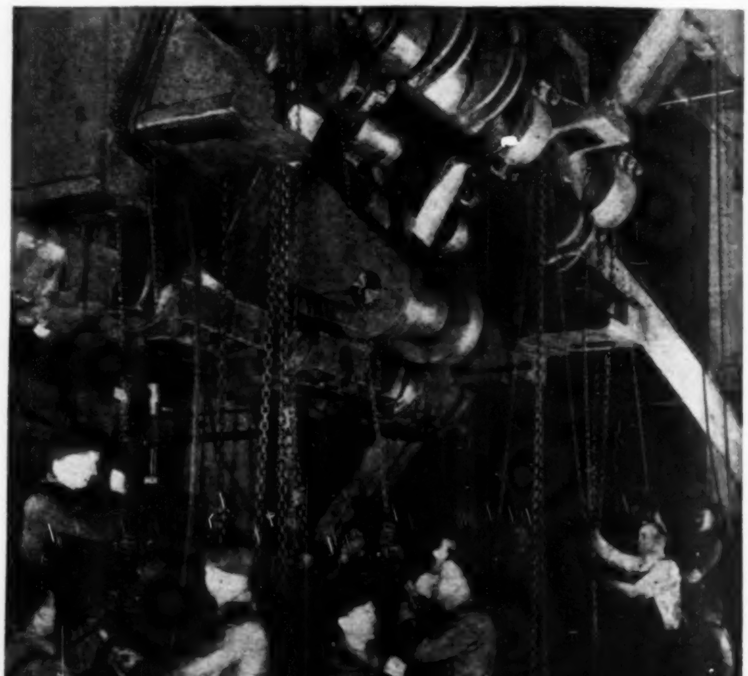
**Automobile makers' shift to new materials and new methods marks production advance that will influence manufacturers in many other lines.**

TO MOST people the automobile makers are just showing new models. To a few shrewd industrial executives who "look 'em over" for the same purpose every year, they are showing what's newest in industrial materials and methods. The earlier reports on the new models (*BW—Jan5, 12'35*) are now being followed by others, perhaps more important, on what the most flexible and least conservative of industries has decided to throw out this year and what it has brought in to improve production, simplify its processes, cut its costs, get better results. These reports are likely to affect the methods, materials, and fortunes of many other industries.

In such reports, the "turret top" for Fisher bodies is stressed as an example of what cooperation among car designers, steel mills, and equipment builders can accomplish. It is made out of a single piece of sheet steel stamped in triple-action presses which will take sheet metal blanks 100x180 in. On account of the demand for sheets of large dimensions for body quarter panels, "turret tops," and other car parts, some steel companies have installed equipment capable of rolling sheets much longer and wider than ever before attempted. The trend toward still larger sheets for automotive use promises to grow. Meanwhile, as a temporary expedient, a few companies are stitch-welding two sheets together, stamping the united piece in immense presses and splitting the fabricated part into 2 stampings. They find this process more desirable than making 2 separate stampings from a single piece of steel.

All-steel tops (standard equipment on Hudson and Terraplane cars as well as on Fisher bodies) are a further step in the direction of all-steel bodies for General Motors cars. This development is watched with joy by steel makers, with a fluttering of the heart by lumber manufacturers. If it is any consolation, the lumber industry has the knowledge that literally there is no such thing yet as an all-steel body, as every car body made today has some small wooden parts.

The stainless steel people are cheerful



Wide World

**MACHINE TOOLS LOOK UP—Heavy capital goods investments were made by the automobile manufacturers in bringing out their 1935 models. One such investment was made by Fisher Body in 18 giant presses to make its "turret tops." This picture shows the 125-ton head being installed on one of the presses.**

Wide World

SURPRISE—William S. Knudsen, executive vice-president of General Motors (left), and F. W. A. Vesper, president of the National Automobile Dealers Association, find themselves seated side by side at the association's convention, which drew to Detroit last week 4,000 dealers from all parts of the country.

because a checkup shows more stainless items on 1935 than on 1934 cars. Loss of the Ford lamp shells (now painted the color of the car) was a hard blow, only partly offset by specification of stainless for some parts on de luxe Ford models. Other car manufacturers, however, are using stainless in increasing amounts for such parts as running board mouldings and the rim around the radiator shell. Use is limited to the lighter gauges where the weight (and hence the cost) is not too much. In some cases, light-gauge stainless is being wrapped around carbon steel to give a bright finish at low cost. Example: hub caps and door handles. Altogether, more pounds of stainless are being specified by the automotive industry than ever before and stainless mills already are booked 3 to 4 weeks ahead.

### Molybdenum Steel

Development by Chrysler Corp. (under direction of famed metallurgist C. Harold Wills) of a special molybdenum alloy steel, under the brand name "Mola," may eventually have a far-reaching influence in industry. First developed for coil springs, it is being made by a few steel companies for use in leaf springs for 1935 Chrysler-made cars, is likely to be extended to other car parts because of its high qualities and relatively modest production costs. Spring makers have installed special furnaces to heat-treat it.

Crossing from the "gain" side of the steel makers' ledger to the "loss" side, one finds that cast alloy steel has made advances at the expense of forged steel. Ford is using cast alloy steel crankshafts and camshafts in the V-8, is spending $675,000 in a foundry modernization program at Rouge which includes 4 new electric furnaces, and $450,000 at its plant at East Windsor, Ont., for an alloy steel foundry where crankshafts for the Canadian Ford V-8 will be cast.

### More Aluminum Used

Cylinder heads of new design include those of aluminum or aluminum combined with iron, taking advantage of the good heat-conducting properties and light weight of aluminum alloys. In some cases, aluminum pistons are being given a special chemical (anodic) treatment to increase their wear resistance. The use of leaded copper engine bearings is growing. A new cadmium-silver-copper metal is employed by Pontiac for its connecting rod bearings. The silver adds to hardness and wear resistance, especially at the high temperatures common in engine operation today. Ford is featuring aircraft-type copper-lead floating connecting rod bearings.

Chromium plating, which got a setback in 1934, has returned to favor this year for exterior parts, such as grilles, mouldings, hardware and ornaments. A low-price car manufacturer is utilizing chrome plating for head lamps. Ford is die casting all hardware in aluminum and finishing it in dull color by special anodic treatment. Tubular steel front axles are becoming more popular. So are stamped steel (artillery type) wheels, which already are a formidable rival of wire wheels (wooden spoke wheels are little used any more). Plastic materials for such parts as steering wheels and instrument boards are pushing ahead. Safety glass is making rapid strides, eventually is likely to be standard equipment on all cars as more states pass laws requiring it as a safety measure.

# Car Dealers Talk to Detroit

## Automobile manufacturers listen to dealers' ideas on sales methods and code controls, have misgivings about their effect on car-buying.

CAR dealers took advantage of Automobile Week in Detroit to meet for the first time there, to recite code accomplishments in the first year under NRA, and to discuss grievances against factories right on the manufacturers' doorsteps. A weakling with only 2,500 members in 1933, the National Automobile Dealers Association, functioning as the retail code enforcement agency, has grown to a strength of 33,000, today speaks with an authority which annoys some car makers.

Its list of major grievances: (1) Factories have reduced accessory discounts, increased advertising charges, discontinued junking programs, cut delivery and servicing charges, thereby dissipating savings made on used car losses under the code; (2) dealers have stood the full brunt of losses from "clean-up" sales when factories introduced so-called new models which actually weren't new models; (3) many manufacturers appoint too many dealers with overlapping territories, thus reducing retail selling to a horse-trading proposition; (4) new car discounts are too low, should be based on delivered prices instead of factory list prices; (5) dealer franchises still put dealers too much at the mercy of manufacturers, what with the latter's power to cancel them without adequate notice and the lack of protection against arbitrary reductions in discounts and in prices.

Some of these grievances may be elim-

inated soon by factories acting individually, others may have the edge taken off by cooperative efforts between manufacturers and dealers. It is on increased new car discounts that factories and dealers seem farthest apart. Factories believe the majority of their dealers made money in 1934, feel that the burden of proof that higher discounts are necessary is on dealers (although recognizing that special treatment possibly may have to be given certain dealers whose costs under NRA have risen sharply). Manufacturers are committed to a policy of holding down prices and getting 1935 profits out of increased volume rather than of securing higher profit per unit at expense of restricting the retail market for cars. They think dealers should go along with them on the same basis and will get a reasonable return on their investment as a result. Anyway, before factories take steps to liberalize discounts, they want more assurance than they now have (from their own dealers) that the retail code will stick.

**Good Police Work**

Success or failure of the code hinges on the effectiveness of control of used car allowances. Under the able and untiring leadership of F. W. A. Vesper, chairman of the code committee and president of the N.A.D.A.—sometimes called "the Judge Landis of the retail automobile industry"—the activities of 37,000 dealers have been policed with reasonable success. There has been chiseling, chiefly in the metropolitan centers where competition is hottest and where dealers' territories overlap, but it is far more difficult today for the car buyer to get more than his car is actually worth. The N.A.D.A., through a recent survey, claims that 77% of the country's dealers, representing 86% of the total business, favor continuation of the code. Reporting for General Motors, R. H. Grant, vice-president, points out that G.M. dealers lost less on used cars in 1934 than in 1933, whereas in Canada, where no code exists, used car losses increased.

**They Want a Law**

Instead of any thought of relaxing the code's used car provisions, Vesper favors tightening them by deducting still more for the dealer's reconditioning and selling expenses. Regardless of what happens to NRA, the N.A.D.A. intends to submit to Congress a bill making permanent the used car control and new car price provisions of the code.

N.A.D.A. isn't bashful about boasting of its success in eliminating fleet discounts made by factories (except to governmental units) and in adjustment of delivery charges which put $5 millions into dealers' pockets last year. If factories turn a deaf ear to reasonable demands from dealers, it promises to intervene in the latter's behalf. It seemingly has elected itself as the collective bargaining agency for all dealers in their factory relations.

All of which is looked upon respectfully by factories, but with misgivings expressed privately as to the results. Restricted used car allowances have hurt sales of some factories, particularly in the higher-price brackets where dealers have more margin to play with. Even in the low-price group, some manufacturers feel sales have been handicapped.

While cogitating, they are listening to Mr. Vesper's suggestions for an annual show in Detroit, probably in December, to which only dealers would be invited. This would be made the industry's national show and probably the dealers' association and the Society of Automotive Engineers would meet then, as they did in Detroit the week of Jan. 13. The dealers' sessions, held in Detroit for the first time, attracted three times as many members as previous meetings. Detroit already has been selected for 1936.

*Wide World*

**E. H. McCARTY—The president of Nash Motors was one of the many automobile executives attending the dealers convention at Detroit.**

*Wide World*

**WARNING WASHINGTON—Bureaucratic control of the automobile industry would have harmful results, asserted B. E. Hutchinson, vice-president of Chrysler, speaking before the automobile dealers association.**

## Ringless Hose

**Hosiery industry tries to keep new selling feature from precipitating a new conflict.**

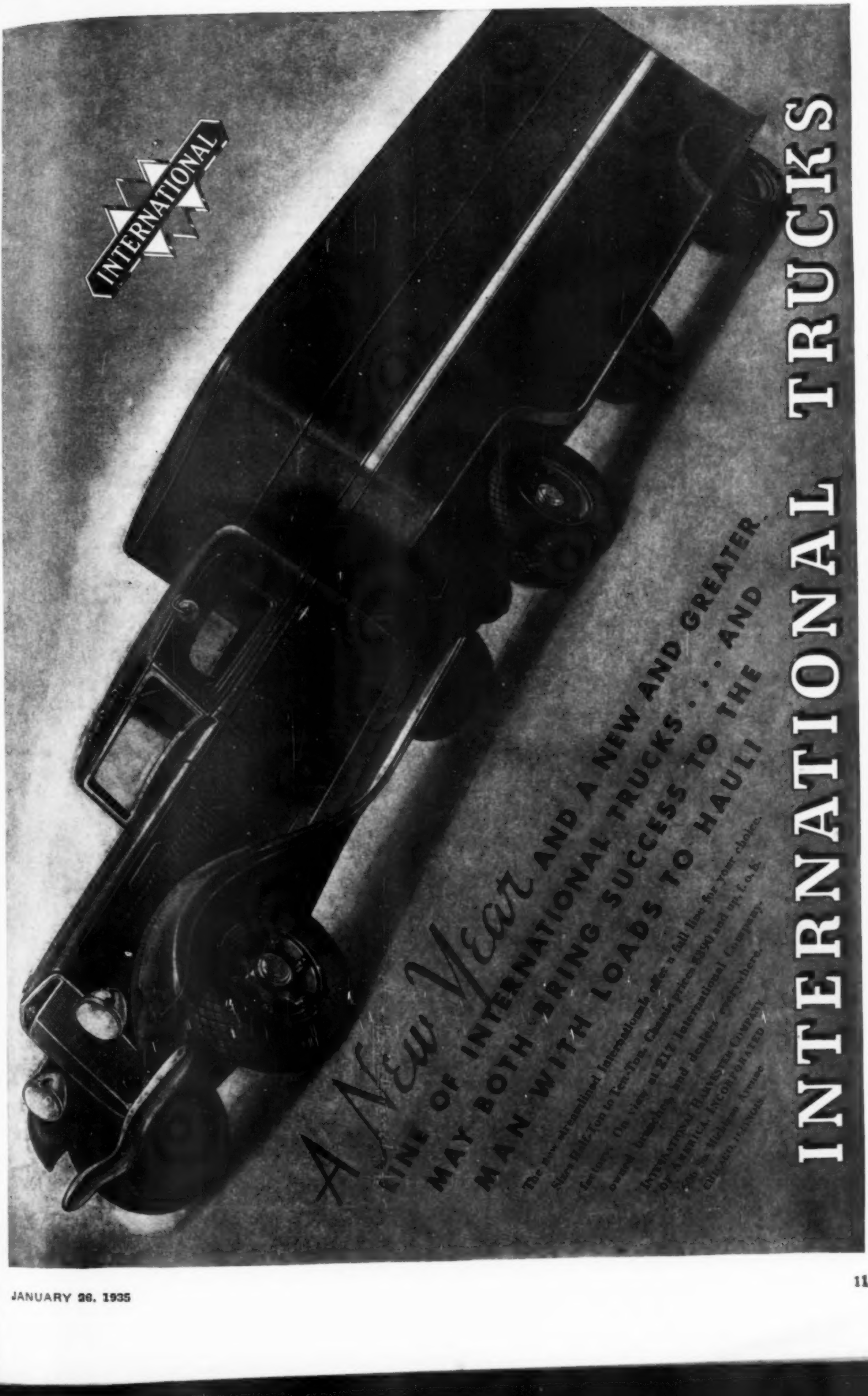
THOSE ringless hose that you see advertised—or in use, if you are one who notices such things—still pack the makings of a first-class intra-industry row in the $200-million hosiery business. The shadow-lines, rings, or whatever they may be called in your town, more often seen in women's silk hose as the price went down, can now be eliminated to a very large degree, even in the average grades of hose, by attaching auxiliary equipment to the knitting machines.

**Prospect Darkens**

The new invention was taken fairly calmly throughout last summer, but with fall and winter bringing darker-colored hose which are more likely to show the rings (where they exist), the use of the new process became decidedly important.

A group headed by Berkshire Knitting Mills, operating through the Textile Patents Corp., owns the patents on the equipment, and drew up the original terms for the licensing of non-members of the pool. These terms, calling for a higher licensing percentage from non-members than from members, regulation of price, and an agreement not to contest the validity of the patents, proved objectionable to a powerful group of lessors including Gotham Silk Hosiery Co., and are now under discussion looking toward modification and peace in the industry.

Meanwhile, most silk hosiery manufacturers are making ringless hosiery. It is the big talking and advertising point today, just as was the ill-fated non-run hose which sought to break the back of the buyers' strike in women's hosiery 2 years ago. But the non-run hose weren't flattering—looked too much like "service weight"—while the ringless trick adds beauty to the hose, and to the wearer.


INTERNATIONAL
A New Year AND A NEW AND GREATER LINE OF INTERNATIONAL TRUCKS . . . AND MAY BOTH BRING SUCCESS TO THE MAN WITH LOADS TO HAUL!
The new streamlined Internationals offer a full line for your choice. Sizes Half-Ton to Ten-Ton. Chassis prices $390 and up, f. o. b. factory. On view at 217 International Company-owned branches and dealers everywhere.
INTERNATIONAL HARVESTER COMPANY OF AMERICA, INCORPORATED
606 So. Michigan Avenue
CHICAGO, ILLINOIS
INTERNATIONAL TRUCKS

# Food Men Fight A-B-C Labels

**Canners and wholesalers at record-breaking conventions reaffirm descriptive labeling plan, despite Administrator Riley's opposition; industry irons out its code troubles.**

WITH general attendance estimated at 30,000, far exceeding all previous records, the crop of food conventions running concurrently at Chicago last week rated as the biggest round-up of food people in the industry's history.

Ordinarily the formally scheduled meetings of the 4 important organizations that provided the nucleus for the gathering (*BW—Jan12'35*) attract heavy attendance. But, with grade labeling, NRA codes, new food and drug legislation, and other momentous issues on the docket, additional thousands came, including large delegations from practically all related food processing industries, wholesalers of every type, strong, representative groups of independent retailers, and headquarters' men from voluntary and corporate chains—all intent on guarding their own special interests.

### Attack A-B-C Plan

Grade labeling was the big issue of the day, and encouraged by the National Industrial Recovery Board statement, released by Executive Secretary Walter White just before the meeting and strongly endorsing the descriptive labeling plan, canners and wholesalers sprang to the attack on the A-B-C plan with enthusiasm. To emphasize the contrast between the two proposed methods, 4 large displays were posted at the opening session of the National Canners Association. On the picture of 1 can was the simple legend, "Grade A"; on the other 3 pictures were legends typical of those currently proposed under the descriptive plan, such as "Very tender, tiny, early peas—workmanship excellent—seasoned" and "Small, firm, early peas—workmanship fair—unseasoned."

Because they feel the A-B-C plan is unworkable (Howard A. Orr, incoming president of the N.C.A., branded it as "legalized chicanery"), canners passed a resolution reendorsing their proposal for the inclusion of the descriptive plan in their NRA code and urging their legislative committee to continue efforts to secure federal legislation that would make such labeling compulsory. The National American Wholesale Grocers Association went a step farther, passed a resolution roundly condemning "unenforceable systems of alphabetical or numerical grade labeling," addressed a telegram to President Roosevelt urging him to intervene in their behalf and settle the controversy promptly.

Despite these actions and the general feeling that the threat of the A-B-C idea was largely past, Division Administrator Armin W. Riley charged the industry with bad faith in their continued unwillingness to inform buyers of the contents of their cans in terms of understandable A-B-C labels. About a week before the meeting Mr. Riley, who by the President's order is responsible for the inclusion of some grading provisions in the canners' code, sent to the National Industrial Recovery Board a full record of the case, including his recommendation of the A-B-C plan. It is reported that he may formally notify canners in the near future of his rejection of their 5-month-old proposal for descriptive labeling and of his intention to call another industry hearing early in February.

### Grocers Applaud Code

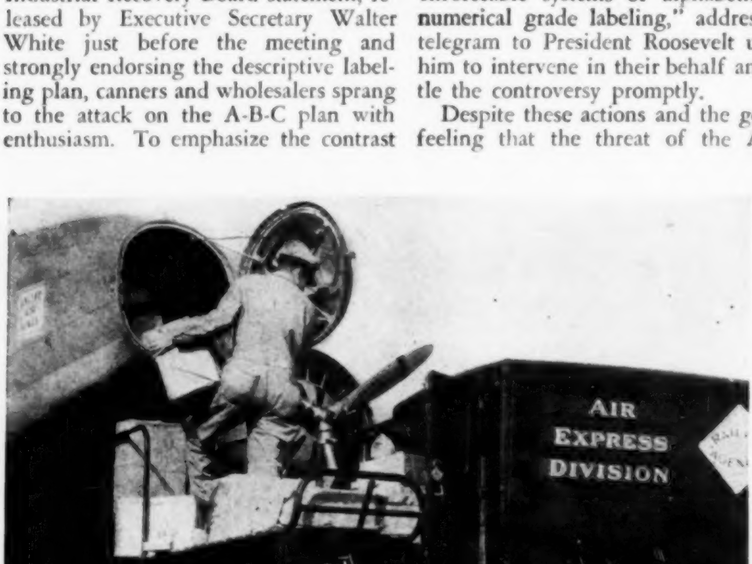
Codes shared the spotlight with labeling plans. Among the various types of food retailers, codes were acknowledged as extremely helpful in stimulating orderly recovery and fostering more economical operating practices. Grocers said that the minimum mark-up clause has stopped most of the vicious price cutting, and aside from some minor changes, they—particularly the independents—want their code continued substantially as it now stands.

Not so with the wholesalers. There are so many different types of them, buying on varying bases, operating at such widely differing rates of overhead, that the 2% mark-up provision has been ineffective in leveling competition. Most wholesalers would willingly abandon that concession, but want the trade practice provisions strengthened.

### Master Code Probable

The Chicago powwow also helped to iron out some of the wrinkles in the master food code. When the last in a long list of documents bearing that name came back from NRA, it was again studded with NRA-drawn provisions (mostly on labor) so wholly unacceptable to the industry that the industry refused it. After some informal conferences in Chicago, at which compromises were reached on controversial points, leaders declared that the end of this code battle was at last in sight. Most food manufacturers have seen codes work in other industries, realize that they help in many ways, are eager to get under a satisfactory code themselves.

The National Canners Association also went on record as opposed to 30-hour work week legislation, to the AAA amendments which would broaden the powers of the Secretary of Agriculture and give him power to license all food processors and distributors, and to any revision of the Food and Drugs Act which would result in abandonment of "all that has been accomplished in the way of interpretation and enforcement during the past 27 years."




*Business Week*

**AIR FREIGHT STEPS AHEAD—Express carried on the country's airlines pushed to new highs last year. Department of Commerce preliminary figures show weight of packages carried during the first 11 months was 1,901,934 lb., up 42.2%. This typical airport scene, showing a United Air Lines Boeing transport making a direct connection with an express truck, reveals the efficiency of air commerce.**


POOR LIGHT DISTRIBUTION
HANDICAPS WORKERS . . . CUTS DOWN SALES
*in Offices . . .* *in Stores!*

# NEW KIND OF LIGHT..

**FOR OFFICES..STORES..PUBLIC BUILDINGS..INSTITUTIONS**

*Improves Displays..Boosts Sales Amazingly..*
*Reduces Errors..Greatly Increases Workers' Efficiency*

RECENT scientific research in connection with the nationwide Better Light—Better Sight movement has revealed the amazing fact that thousands of stores and offices are poorly illuminated even though ablaze with light. In fact, glare from bright lights is an even greater handicap to vision than evenly distributed light of lower intensity. The stronger the light, if not scientifically controlled, the darker the shadows and the stronger the glare in eyes of patrons and workers.

The consequences of inefficient lighting have been found most serious. Poor distribution, glare or insufficient light, puts a severe strain on the eyes of workers. The resulting nervous tension is not only extremely fatiguing but also greatly reduces productive capacity and increases errors. In stores, too, sales suffer when lighting is inadequate. Customers instinctively avoid such stores in favor of those where effective lighting provides a more inviting appearance, is easier on their eyes and shows merchandise better.

## *Indoor Lighting Revolutionized!*

If, therefore, "three o'clock fatigue," headaches, restlessness, inattention and inaccuracies are noticeable among employees, or lack of interest and disinclination to buy among customers, it will be to the advantage of any alert store or office manager to investigate the amazing Guth Super Illuminator 71.

In this newly patented unit, the known advantages of indirect lighting are more fully realized than ever before.

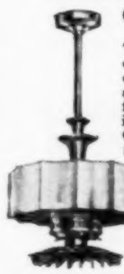
Glare and shadows are eliminated. With them go the constant nerve-racking eye adjustments they necessitate. Tests also show that Guth Super Illuminator actually delivers more and better quality light than other indirect units, yet uses no more current.

## FREE COMPARATIVE TEST

An amazing demonstration has been developed which permits direct accurate comparison between Guth Super Illuminator lighting and what you are now using. Scientific, Sight-Meter measurements of both will leave no room for doubt if the need for better light exists. This demonstration is arranged on request without cost or obligation and without dismantling your present fixtures. No effort will be made to sell you anything if your present equipment is sufficient. Write for complete information about the Guth Super Illuminator and this extraordinary demonstration.

## *Amazing* GUTHFAN

*Circulates Air New Way*



This amazing fan operates on an entirely new principle. Draws up cool air from floor, forces it out and down in gentle continuous flow. Does not circulate hot ceiling air nor air heated by motor. Cools you all over—no drafts—no blasts—no disturbance of papers on desks. Moves more air than three 16-inch fans on one-half the current. Available with or without light fixture. Handsome designs—priced surprisingly low. Write for information.

**THE EDWIN F. GUTH COMPANY**
2603 Washington Ave., St. Louis, Mo
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**Guth PATENTED SUPER ILLUMINATOR**


## UTILITY EXECUTIVES
### *Note This, Please*

This ad is a reproduction of a full page in the February 2 issue of the Saturday Evening Post. It is the first of a series in an aggressive national campaign to bring the advantages of the Guth Super Illuminator to the attention of important executives from coast to coast. Past experience has shown such publicity to be highly productive of profitable business. Why shouldn't your company share in the fruits of the current "Better Light—Better Business" campaign? Write for further details.

# Liquor Licks Market Problems

**Distribution of liquor is now settling into organized channels, hampered by wide variation in state laws and by high taxes that keep bootleggers going.**

THREE new plants recently built for Frankfort Distilleries, Inc.; an American plant for Gordon's Dry Gin Co., Ltd. (after 166 years under the "British-made" banner); a study by National Distillers to determine brand popularity; inauguration of an employee bonus by Schenley Products Co.; appeals for moderation in drinking by officials of Seagram-Distillers Corp.: those are happenings that reflect the trends and thinking in the top layer of the liquor industry.

The men who direct these policies consider their sales job no different from that of any other industry. They are interested in making a good product, appealing for public acceptance in a dignified fashion, building stable markets and stabilized distribution through permanent and dependable channels.

But, in studying the present status of distribution in the liquor industry, *Business Week* discovered that this type of concern is very much in the minority, that bootleggers and gyp producers of liquor's early day are still active.

### Eliminate Direct Selling

Liquor distribution is none the less settling into organized channels, moving in increasing volume from manufacturer through wholesaler to the retailer. Established distillers, who found themselves practically without any wholesale outlets when repeal came, and, at first, sold directly to all who had a right or license to buy, have eliminated direct accounts just as fast as old-line wholesalers of groceries or drugs decided to handle liquor or regular liquor wholesalers became established.

At the beginning of 1935 the majority of important concerns in this field were selling the bulk of their product through wholesalers, with the volume accounted for about like this:

| *Outlets* | *% of Total Sales* |
|---|---|
| Wholesalers, Liquor | 26 to 95 |
| Wholesalers, Grocery | 5 to 10 |
| Wholesalers, Drug | 2 to 17 |
| State Liquor Commissions | 12 to 48 |
| Chains, Liquor | 1 to 30 |
| Chains, Grocery | 4 to 11 |
| Chains, Drug | 2 to 30 |
| Directly to Retailers | 5 |

Credit terms have not yet been standardized. Because of the ready salability of the merchandise involved, sales are made on a cash basis, unless the purchasers' exceptionally high credit standing and long record of promptness and reliability preclude all possibility of trouble. In some instances, sellers have had difficulty in collecting for goods delivered to liquor selling agencies operated by state governments; no adequate provisions had been made for segregating funds received from state liquor sales.

Differences in state laws have kept companies with national distribution busy trying to comply. Licensing laws vary greatly. In some states food stores may sell liquor, in others not. Liquor wholesaling is subject to varying restrictions. Rules applying to the transportation of liquor under the 21st Amendment to the Constitution need clarification. Overshadowing all others as a sales-retarding factor is the series of taxes that are piled up on liquor.

Distillers and rectifiers hold that if federal taxes were reduced and state and municipal taxes and license fees adjusted to more reasonable levels, bootlegging operations would then be less worth the risk, sales of tax-paying legitimate liquors would increase.

The Bureau of Internal Revenue of the U. S. Treasury Department reports total liquor tax receipts from all sources, including manufacturing, importing, rectifying, and floor taxes, at $374 millions, or more than $1 million for every day in the year. Maryland collected over $1 million in 10 months. The state of New York collected $14.4 millions in taxes and over $15 millions in license fees during 1934. Yet 1934 returns from taxes on spirits, figured on a per capita basis, are expected to stop at less than half the pre-prohibition average—which ties in with the estimate of New Jersey's State Commission of Alcoholic Beverages that 50% of the liquor bought is illicit. This week, state liquor control administrators, meeting in Chicago, called for an unspecified reduction in federal liquor taxes to cut liquor prices, make bootlegging unprofitable.

### Some States Profit

In some cases where states handle the retail sales handsome profits have accrued. The state of Washington up to Sept. 30 showed a net gain of $1,127,244 on its liquor business. Virginia recently figured on netting $50,000 per month. Ohio was clearing better than $100,000 per month.

Other states have found the venture into private business less profitable and would like to get out from under. After the first formal audit of the State Liquor Control Commission, the Auditor-General of the state of Michigan proposed complete abandonment of the state store system, leaving private retailers to handle the business.

Those interested in putting the various branches of the alcoholic beverage industry on a sound and thoroughly legitimate basis contend that the whole tax structure will have to be revised before that can be accomplished. They say also that a great many factors now active in the field will have to be weeded out. As a demonstration of progress, they cite the fact that in New York state wholesale licenses dropped from 385 in 1933 to 197 in October, 1934.

They hold also that department stores will become an increasingly important factor in liquor sales, that food chains will give way to drug chains as the largest chain dispensers, note that McKesson-Robbins, largest combination manufacturer and distributor of drugs and allied products in America, controlling a chain of 70 wholesale drug houses, is selling $16 millions worth of liquor a year.

# Utilities Line Up

**Housecleaning by power holding companies anticipates the legislative broom. New rate policies have proved profitable.**

THE public utilities group has more or less anticipated the introduction of the Rayburn bill calling for federal regulation of holding companies, as the Federal Trade Commission reports on holding company activities, now coming out serially, have been taken as a build-up toward such legislation, and the Federal Power Commission has indicated its full agreement with the anticipated conclusions.

Who will be picked upon to do the regulating is a matter of some speculation. Both the FTC and the FPC have their eyes on the juicy job, with the Power Commission, with its authority in limited cases under the Federal Water Power Act, holding an edge on the job.

The final legislation, when House and Senate get through, will probably provide for federal (in place of state or other) control of loans, approval of security issues, management and financing fees, etc. The chief provisions to be feared by the holding companies would be the inclusion of prohibitions on the ownership by corporations of the common stock of other corporations, penalizing taxation and such features.

One reason is that the holding companies have been proceeding at a notable rate to clean up most of the abuses of which they have been accused. With a very few exceptions, they have eliminated the construction companies, the financing fees, and the management fees, and are essentially living on returns from their holdings of common stock and some bonds, and on interest

on operating company notes still held. Few outsiders appreciate the changes that have taken place in the attitude and practice of the great holding companies since the drive of the federal agencies began. TVA has admittedly been a sobering factor. A prize model among the holding companies, Commonwealth & Southern, frankly admits that its new policies have followed the example set and the experiment started in the neighboring Tennessee Valley. In a little over a year, rates of the Commonwealth & Southern (in 3 companies where the rate reduction plan was tried) have been cut 24%, and the drive for greater use of current, particularly by domestic consumers, has pushed consumption up 35%. This showing was unexpected, although the companies involved spent $1½ millions above 1933 in promotion.

### Refrigerators, Ranges Gain

Figures available for Tennessee Power, a C.&S. subsidiary, show that 2,323 ranges were put in in the first 10 months of 1934, as compared with 705 in 1933, with 7,036 refrigerators topping the 1933 record of 1,434. Georgia Power put in 9,543 refrigerators compared with 3,487 in 1933 and 2,586 ranges as compared with 386.

Rate cuts that brought about those increases were about 15% below previous charges, with a promotional rate 28% below the old residential rate, and some free power to make the rates virtually retroactive. Niagara & Hudson in New York State is basing its promised new rates on the experience of Commonwealth & Southern, while the New York City companies intend to follow the Washington, D. C., plan which bases its reduction on earnings of the company (*BW—Jan12'34*).

## Rail Write-Down

**RFC wants to buy in rail bonds, pay out government-guaranteed issues, cut the carriers' debt to manageable proportions.**

WHEN the Reconstruction Finance Corp. opened its loan window Feb. 2, 1932, the second customer in line—right behind the banks—was the railroads. By the time the Roosevelt Administration took over the reins, carriers were already in RFC to the tune of $325 millions, already solidly frozen. Another $122 millions has since been loaned them, only $71 millions have been recovered, and much of that through resale of equipment trust certificates on the open market.

Confronted with $376 millions of loans steadily growing worse, $52 millions of them already in bankruptcy or receivership, Washington started reconnoitering for an out. Railroads can't liquidate, can't repay loans through non-

existent earnings. It looked as if the investment market would have to bail the RFC out of its predicament—and there was no early prospect of a public market for railroad credit that was still deteriorating.

But the magic words "government guarantee" had solved a problem for farm and home mortgage refinancing so the Administration began to think about applying them to the railroads (*BW—Dec1'34*). Now it has sponsored amendments to the RFC Act, pending before Congress, which elaborate and refine that bright idea.

### Scaling-Down Process

What it all comes down to is that RFC proposes to get out of its own jam by breaking the one which holds up railroad refinancing and reorganization. First it would scale the carrier debts to bearable proportions, drive through consolidations and the acquisition of weaker lines by stronger roads, rehabilitate railroad finances to a point where revenues covered charges. Then it would lend its own credit to the strengthened carrier by adding its guarantee to the obligations publicly floated to pay itself off.

Keystone of the plan is authority to buy railroad securities, now selling at big discounts in the open market, for cash, in exchange for RFC bonds, or for the issuing road's new securities guaranteed by the corporation. In the corporation's hands, the debt would be cut to purchase price and interest lowered to RFC's current rate (now 4%) or that carried by the guaranteed bonds.

To assure enough debt scaling, the RFC, before buying in, would be required to get from the Interstate Commerce Commission certification that the individual road could cover its reduced debt service.

In reorganization situations, the corporation by assuming the position of principal creditor could force through its own ideas of recapitalization, with or without the benefits of Section 77 of the Bankruptcy Act, which imposes the will of the majority creditors upon the minority.

### PWA Cut Out

Proposed amendment of the RFC Act would also prolong the lending life of the corporation another 2 years and enable it to make construction and equipment loans direct to carriers, cutting out PWA, which has been the intermediary for such loans. Carte blanche is asked on duration of railroad loans, while in other classifications it seeks to lift time limits from 1940 to 1945 only.

Chairman Jones has put into the amendment provisions for his pet, large real estate mortgage issues not aided by the farm or home loan relief agencies. He would like to buy preferred stock or capital notes of mortgage-lending institutions as he did for banks and trust companies.

*Harris & Ewing*

**PLEADING A CAUSE—Chairman Jesse Jones of the RFC explains to the House Banking and Currency Committee the advantages of extending his agency 2 years more and broadening its scope to enable further aid to the railroads and the mortgage-lending institutions. The committeemen are (left to right) Representatives Michael K. Reilly, Alan Goldsborough, and Chairman Henry B. Steagall.**

# New Financing Prospects

## Wall Street doesn't think SEC has released any flood of new issues but feels that everything (except gold clause case) is now set for a rising tide of capital expansion.

No flood of new capital flotation applications has poured in upon the Securities and Exchange Commission following promulgation of its simplified registration requirements (*BW—Jan19'35*). Prospects for any sudden spurt of business were spoiled by the uncertainties thrown into the financial situation by the gold clause case pending before the Supreme Court. A banking community that waited 6 months for the new forms which would make financing less troublesome and expensive, still waits—but not in idleness.

Stymied though they are by a nervous market in which new undertakings would be foolhardy, investment banking houses are busily setting down figures on the new A-2 forms. When and if the new barrier to their activities is removed, they will have applications ready on a not inconsiderable volume of new offerings.

### Projects Just Medium

A canvass of the Street discloses no outstanding projects in preparation for immediate launching. Rather to be expected is a miscellany of moderate-sized transactions, limited initially to near highest-grade categories, primarily for refunding purposes.

Not all of Wall Street is convinced that the blockade has been completely broken. Some houses still hesitate to assume the liabilities imposed upon underwriters by the Securities Act. However, enough of them are ready to proceed to assure accommodations to any qualified issuer. The high prices prevailing on outstanding securities convince them that the investment public is ready to take care of any demands that business makes upon them.

### Top Grades at Top

It is a moot question whether prime grade securities ever sold higher than at present. Search for an analogous situation goes back to the first of the century and the limited volume of securities in those days hardly affords comparison with the broad lists of today. The few bonds continuously outstanding during the whole period since then have varied in status so that their quotations offer no key to comparable values. For practical purposes it is sufficient to contrast the average yield of 3.85% currently commanded by high-grade corporate obligations with $5\frac{1}{2}$% at the bottom of the bond slump in 1932 and 4.75% in 1929, the peak year of new financing.

More significant is the fact that second, third, even fourth grade bonds of manufacturing and commercial corporations are higher today than in 1929. The average yield is $5\frac{1}{2}$% on bonds

ranked as fourth grade by one statistical organization, a full point below what the same bonds returned in 1929. As much cannot be said for lower grade utility and railroad bonds, which did not participate with industrial bonds in the strong advance of the last year.

The strong preference of investors for industrial issues directs the search of bond firms for new financing prospects. There are no exaggerated expectations of a great outpouring of new bonds to supply this demand but it is hoped that a pump-priming by way of refunding transactions will so fully demonstrate the availability of capital that industry will start thinking of expansion plans.

Meanwhile, the 2 principal jobs of new financing will be taking care of maturing obligations and refunding high coupons at lower rates.

### Maturities No Problem

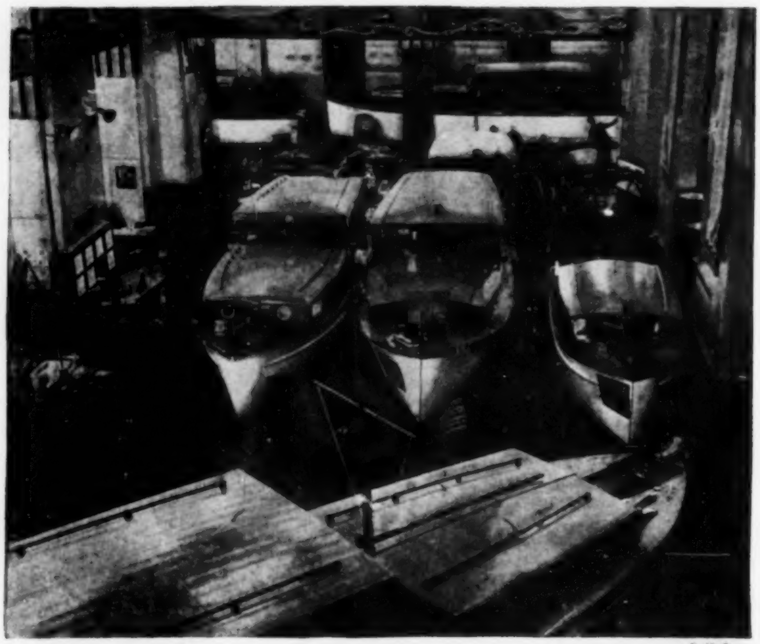
Maturities for 1935 are not heavy. Estimates total around $700 millions, of which half are railroads bonds that will largely be handled through the RFC. Utility maturities aggregate $150 millions, but a great part of them are not of a grade acceptable to the market and must be accommodated through extensions, exchanges, possibly some bankruptcies. Among the popular industrial classifications $200 millions are due this year, but refunding bonds to this figure will never reach the market. Innumerable smaller blocks will be retired with treasury cash. At the other end of the list are issues of companies in bankruptcy or reorganization that must be handled in other ways.

No large issues are involved among the industrial bonds due. In the utility field the largest item is $25 millions of Standard Gas & Electric Co. notes, for which exchange plans are being formulated. Five leading carriers confront due dates: New York Central, $21.5 millions; Colorado & Southern, $28.5 millions; Maine Central, $20 millions; Erie, $15.5 millions; Nickel Plate, $15 millions.

### Some Defer Refunding

Bonds selling at the call price, and consequently set down as appropriate for refunding into lower coupons are estimated at $3 billions, but that total cannot be anticipated. On many, the prospective saving in interest is too narrow to justify refinancing now. Many issuers, convinced that interest rates are headed much lower, will chance on an even more advantageous market later.

The refinancing that is in prospect will be another boost to bond values. Partial cash payments will reduce the total volume of investment media, short-term obligations will turn into long-term, some bonds in individual investors' hands will be replaced with notes sold to banks, insurance companies. Net result will be a smaller supply of securities for a market of stimulated demand.



Seibelman

**MOTOR BOAT BOOM—On the heels of a highly successful automobile show the motor boat brigade took over New York's Grand Central Palace Jan. 18 and promptly proved that luxuries are again cruising in high, too. Bigger crowds than ever poured into this year's show, and they bought at a much brisker pace than a year ago, an evidence that the luxury market is coming back into its own.**

# Boat Outlook Better

## New York's motor boat show brings out new designs, more attractive prices, and promise of improved sales.

THROUGH the meteorological insults of midwinter, New Yorkers sloshed during the past week to the annual Motor Boat Show at the Grand Central Palace. Boating fans previsioned beyond the shining hulls clear skies and blue waters; similarly, builders saw brighter horizons.

Before the show opened a questionnaire to 75 manufacturers indicated that actual orders were up. They reported that business increased surprisingly last August after a dull early summer. Deliveries for the period were from 40% to 278% above 1933. These facts, with interest shown in the show, confirmed builders in setting increased schedules for 1935.

### Exhibitors Increase

Exhibitors in this year's show numbered 150, which was 27 more than last year. Floor space utilized increased 3,000 square feet. Attendance was 9% better during the first days of the exhibition. Sales on the floor were up, too. Analysis of the potential market resulted in a record number of engine displays. Motor builders figure it this way:

For years boat fans have been kept from buying new models, have economized as much as possible on upkeep. The inevitable result is serious deterioration. Even if new boats are not bought, power plants will have to be renewed. Great advances are marked in engine design. There were more diesels at the show than ever before. The Hesselman type (like the diesel, a native of Germany) has also gone forward. This motor dispenses with the conventional carburetor, runs on fuel oil which is sprayed into the combustion chambers, there to be exploded electrically. Not only does fuel oil give the motor several times more power, but the dollar saving (7¢ fuel oil vs. say, 17¢ gasoline) is tremendous. One motor of this type was shown last year, 8 this year. Fuel oil designs have generally increased in numbers.

True diesels (which explode gas by compression) have been reduced in size, are now available for boats down to 35-footers. Attention was attracted by a crankless diesel. This engine harks back to German compressed-air torpedo propulsion for its inspiration. Opposing pistons engage eccentric discs which are mounted on a straight shaft. This motor is very low, an aid to seaworthiness.

There has been a greater application of rubber cushions to engine mountings. Vibration and noise are reduced thereby. New alloys have made motors more compact and lighter. Fuel savings result. Outboards have grown in both directions, larger and smaller.

Among the 105 boats shown there was a greater percentage of sail craft. The smallest is a child's size, 6 feet over all, cost, complete, $36. Cheapest is a knock-down kayak (for easy portages) at $13.50. Despite increased manufacturing costs, prices generally are down. One 38-foot cruiser sells at $8,545, a reduction of $1,400 from last year's model. Bottom price for cabin cruisers is $1,590 for a 25-footer. (These prices would have seemed incredible 6 years back.)

### Used Market Better

The industry is particularly cheered over the condition of the used boat market. During the years of the locust, boat buyers went for second-hand cruisers which barged onto the market in greater numbers as more people went broke. Selling at distress prices, the used boats did some pretty terrible things to demand for new ones. Continuance of the situation has resulted in prophecies of a shortage for good second-hand buys this year. There is plenty of "junk," but quotations for good used cruisers remain at levels where it is possible for builders to compete with their new low prices—which wasn't true last year.

# California Pack

## Golden State fruit and vegetable men encouraged by sales.

INDICATING a definite upward turn in the fruit and vegetable industry in California, the largest pack since 1930 has been 80% sold and 60% shipped. Figures have just been released by the California Canners League and the California Cling Peach Control Central Committee.

Industry heads expect stocks remaining from the 1934 crop to be disposed of by June when the new season starts, call 1935 prospects brighter than in the past few years—unless major controls fail of reestablishment.

Stocks on hand now include approximately 11,000,000 cases. This estimate is based on last year's pack plus the carryover at the beginning of the season. Canning of tomatoes and tomato products shows heavy increases, reaching 7,932,754 cases against 4,253,859 in 1933. Widespread use of tomato juice is partly responsible, but a jump in the number of cases of pulp and catsup was also noted. Pear output is in a difficult situation, as 40% of the pack and carryover remained unsold at the beginning of the year.

## Wide Reading

WHAT ARE THE MOST RESPONSIVE MARKETS FOR FOOD PRODUCTS? *Sales Management*, Jan. 15. Interpretation of a survey of food markets with list of 30 most responsive markets (headed by Chicago), and the 30 most-mentioned newspapers (headed by Atlanta *Journal*).

PENNY-A-PIECE PLAN BRINGS IN FLOOD OF BUNDLES. *Laundry Age*, January. Southern California laundrymen try 1¢-a-piece dry wash, putting laundry on a Model-T basis.

GOLD BRICKS FOR THE AGED. M. B. Schnapper. *Nation*, Jan. 9. Details of the widely-discussed Townsend plan which would pay persons over 60 a monthly pension of $200, raised from a 10% sales tax. Significant because of its lucid explanation of the weaknesses of a plan which has the backing of millions of Americans.

APRISMO. Carleton Beals. *Foreign Affairs*, January. Story of the American Popular Revolutionary Alliance (APRA), which centers in Peru but which has a wide following in Latin America. "To understand the Apra movement and its leadership is to understand the probable evolution of Latin America in the years ahead. The impending political crises there will profoundly affect our own political and economic relations, our $5 billions of investments, our trade, and our security in case of a new world war."

THE POWER CRISIS. Frank P. Walsh. *Nation*, Jan. 16. The chairman of the Power Authority of New York State explains what Roosevelt tactics accomplished when he was governor of that state.

### REPORTS—SURVEYS

HOW SHOULD CITIES SHARE IN SPECIAL MOTOR TAXES? National Highway Users Conference, Washington, 15 pp., 25¢. What portion of motor taxes should go direct to cities in which they are raised? Experiences; arguments; prospects.

THE EUROPEAN WAR DEBTS AND THEIR SETTLEMENT. Wildon Lloyd. Committee for the Consideration of Inter-Governmental Debts, New York, 88 pp., $1.50. Handy summary of War debt questions, with schedules showing distribution of expenditures of War loans, and how the credit loans appear in the funding agreements.

### BOOKS

NATIONAL PUBLIC WORKS. Study by the League of Nations, 281 pp., $3. Obtainable in U. S. from World Peace Foundation, 8 West 40 Street, New York City. Projects which have been undertaken by various countries, with estimates of their success. Great Britain declares that "the experiment of large public works as a method of dealing with unemployment has been tried and has failed."

AMERICA'S CAPACITY TO CONSUME. Maurice Leven, Harold G. Moulton, Clark Warburton. Brookings Institution, 272 pp., $3. Analysis of the national income, 1900 and 1909-1929, by industries and by types of payment. Figures for 1929 broken down by states, also by income groups. Discussion of expenditures, savings, and of consumption in relation to production. The second of a series of four studies. The first, "America's Capacity to Produce" (*BW—Jul7'34*).

# Textile Verdict

**Cotton mills cleared of wage chiseling charges but weekly pay envelope is still light.**

COTTON textile manufacturers now feel themselves vindicated by the second government survey of their industry (*first, BW—Jan12'35*) made on executive orders following the big textile strike of September, 1934.

Results are as follows:

(1) Most manufacturers have complied with the minimum wage requirements of the code. Out of 1,000 workers, only 56 receive less than the basic minimum hourly rate, while 944 were above the minimum in August, 1934. Three-fourths of those receiving less than the minimum are duly exempted as being learners, outside workers, or substandard employees for whom state certificates had been secured. Some evasion of the use of substandard workers at less than the basic minimum wage was evident from the fact that there were more such workers than certificates issued to cover them.

(2) Hourly earnings have been raised 64½%. But hourly rates are no test of adequacy. The new rates will not yield the $13 per week wage in the North or the $12 per week wage in the South set by the code as minimum weekly wages unless the full 40 hours' work is obtained. And in no week since the code went into effect has the industry worked 40 hours a week. Workers often misunderstood the $13 and $12 a week wages to be guaranteed by the code.

### Rate Increases

(3) There is no evidence that the minimum wage has become the maximum. In the North, hourly wages range from 32.5¢ per hour to 68.6¢; in the South from 30.4¢ to 60.7¢. In July, 1933, 84.8% of the workers in the industry received less than the minimum hourly rates set by the code; the next month, this per cent dropped precipitously to 8.6% and a year later fell still farther to 5.5%. In addition, the "ceiling" for wage rates has risen from 50¢ before the code to 70¢ after.

Then why should there be such dissatisfaction among workers that textile union leaders are again talking strike? Here are some reasons:

(1) Weekly earnings, due to short hours, were less in August, 1934 than in August, 1933, and no higher for men than before the code went into effect. (Since the lowest paid workers were raised the most, women's weekly wages in August, 1934 were above the pre-code era both in the North and the South.) Furthermore, due to a 5% increase in the cost of living in Northern cities and an 8% gain in Southern towns, the real average weekly earnings were 15% smaller in August, 1934 than a year earlier in the North and 25% smaller in the South.

(2) Customary wage differentials between the various degrees of skill have been narrowed by lifting the lowest-paid workers the most and the higher paid workers less. But there is nothing in the code that compels the maintenance of former differentials.

(3) Certain evasion devices have been utilized in isolated instances. These sporadic infractions are easily magnified by union leaders and declared typical of the industry.

(4) While rents of company-owned houses have not been raised in general, the bureau found a few concerns that had raised rents a little, and one that had doubled rents. These few instances have aroused resentment and eventually accusations of offsetting rate increases by rent increases are laid against the entire industry.

# Postal Savings

**Continued popularity of federal savings system irritates bankers.**

BANKERS are asking Comptroller of Currency O'Connor if he meant what he said, at the time bank deposits were guaranteed—that postal savings were no longer necessary and should be liquidated. This week the New York State Bankers Association added a measure providing gradual liquidation of the system to its agenda of desired legislation.

New York banks are particularly concerned because when the federal savings bank was inflated to billion-dollar proportions, the bank scares of 1932-33 took away from private banks in the state a total of some $50 millions of deposits. Although the trend has been reversed since mid-1933, postal savings still holds $98 millions of deposits that New York City banks think they should have, along with $18 millions of upstate funds.

Chicago bankers have even more urgent grounds for complaint. There the trend of postal savings deposits is still upward due to the elimination of most of the community banks and the fact that the large banks discourage small savings accounts. Throughout the Middle West, postal deposits continue to gain, contrary to the general trend.

For the entire country, post office savings started dropping off last year but were still almost $1 billion for the fiscal period to June 30, 1934, increased from $100 millions annual averages before the depression. When banks are required by federal authority to reduce interest of deposits to 2½% they can no longer offer any price competition against the government's bank which pays 2% on certificates but 2½% on bonds.

# Fire Losses Low

**"Freakishly" few fires, bigger premiums, and investment gains help fire insurance companies—also rate drives.**

PROSPERITY came to the fire insurance business last year in surprising degree and from a surprising source. For the second consecutive year "freakishly" low fire losses improved underwriting profits to a point where fire executives worry about the demand for rate reductions certain to come when annual statements reveal the facts.

### First Gains Since 1929

A 1934 fire loss of $275 millions for the entire country is estimated by the National Board of Fire Underwriters, a reduction from $317 millions in 1933 and the lowest since 1919. Small 1933 losses were sufficient to offset the shrunken volume of business for that period, but 1934's loss reduction was accompanied by an increase in premiums received, the first gain since 1929.

Individual companies report gains in premium income ranging from 5% to 10% with estimates for all carriers centering around 7%, indicating a total for the year around $650 millions. That reversed a trend that brought 1933 premiums 33% under the record set in 1929. Some companies sacrificed greater immediate business for the sake of future profits by eliminating unprofitable lines that had been added in earlier attempts to sustain volumes.

For a second year, investment income and appreciation of portfolio values added to the improvement, as with the life insurance companies (*BW—Dec1'34*). Until annual statements appear, the best key to the net betterment in income is provided by larger dividend payments. Seven large companies increased disbursements to stockholders and there were no dividend cuts among the 20 leading companies. Aggregate payments for the group were 7% larger than in 1933.

### Quiet Celebration

Fire insurance executives accept their good fortunes without dancing in the streets. Small losses were a fortuitous accident and another year can bring equally abnormal fire damages on the other side. Strict underwriting standards and fewer moral hazards were contributing factors. Risks are better with deflated real estate prices and correspondingly lower insurable values. But point is made of the fact that fires were as rare among uninsured as insured properties.

Natural and moral risks will return to normal in time and it is that thought that wrinkles the brow of the insurance man when he hears of state rate-making bodies here and there inaugurating cuts, and contemplates the pressure that will come for more of the same.

# New Products

**New things, new ideas, new designs, new packages, new manufacturing and marketing methods.**

THE Vacu-Vent caps for glass jars, now made by Armstrong Cork Products Co., have a patented pressure-release vent which simplifies packing or hot processing of the contents, while opening of the vent by pressure with an ordinary match will admit air so that the cap can be unscrewed without difficulty.

A DUAL performance axle, giving 8 forward and 2 reverse speeds, high-high gear for more speed on the level, low-low gear for easier starting and heavy pulling, has been made optional equipment on the 2- and 3-ton Model T-18 General Motor trucks. This is the first time this principle has been used on trucks.

THE new Eversharp pencil made by the Wahl Company follows latest fountain pen designs with a transparent barrel which permits checking of available lead supply at all times and a Red Spot gauge telling when to refill. A broadside and special "deal" for dealers accompanied the launching of the new model.

THE duPont Cellophane Co., Inc., has developed a special type of Cellophane for wrapping butter, for which it claims improved keeping qualities, better preservation of original color, and drastic reduction of shrinkage.

TRUSCON STEEL Co. introduces a new grid type of flooring for bridges. It provides a light-weight reinforcement for concrete, rests on I-beams. Concrete is poured into the framework, leaving the top flanges of the grid exposed to provide tire traction.

THE H. J. Harrold Tool Co. is marketing a popular-priced home tool chest, containing 7 all-steel utility tools. Price is brought down by simplified construction and low-cost packaging. The chest is a corrugated carton developed by Hinde & Dauch Paper Co.

A NEW lightweight, translucent, completely waterproof fabric, made from silk, is now being processed by Westinghouse Electric & Manufacturing Co. It contains no rubber, is said to be acid-proof, heatproof, not to crack, stick, harden, or deteriorate with age. Many uses are foreseen.

THE Ivers-Lee Co. has placed on the market a machine that, for the first time, permits gelatin capsules or other fragile drug products to be packed automatically in individual packages of transparent material.

# Railroad Speed Duels

## Chicago–St. Paul, Topeka–Kansas City, Philadelphia–New York contests threaten "The 400's" new record.

WEST, Middle West, and East—the speed race is on.

Stimulated by the wide publicity accorded Burlington's "Zephyr" and Union Pacific's new streamliners, railroad men are puzzling over ways and means of whittling down time schedules, are pushing technical advisers and manufacturing engineers to the utmost in an effort to perfect faster locomotives—steam, electric, and diesel-powered—improved coaches.

Curious fact about the fastest of America's new trains, just put in operation a fortnight ago, is its complete orthodoxy. "The 400," pride of the Chicago & North Western Railway, isn't powered by diesel or electric engines, nor does it boast any lightweight, streamlined construction. It's just a regulation, oil-burning iron horse that pulls the North Western's fancy but standard cars over the reballasted roadway between Chicago and St. Paul. But it knocks off those 410 miles in 420 min., 1 hr. and 12 min. less than the old schedule, for a record average of 58.8 m.p.h., exceeding the "Century's" speed by more than 4 m.p.h.

How long this will remain tops is dubious, for the Chicago, Milwaukee, St. Paul & Pacific has just announced that its streamlined oil-burners, ordered last September from the American Locomotive Co., and its new streamlined coaches which will be put in operation in the spring, will equal, if not exceed, "The 400's" record for the Chicago–Twin City trip.

### Count in the Zephyrs

But Burlington may beat the Milwaukee Road to it. Two new "Zephyrs," streamlined, 3-car, diesel-electric units, will also go into service over the same route in the spring. Burlington, however, hasn't shown any hankering for speed laurels to date. Interested in economy as much as fast service, Burlington has operated its present "Zephyr" since November on the Kansas City–Omaha run at a scheduled speed of 49.5 m.p.h.

An impending speed race in Kansas may see the national crown moved farther out into the corn belt. Next Thursday, after much fanfare including dinners to influential groups, demonstration rides, and consultation with leading Kansas business men about time schedules, Union Pacific will put its famed 3-car streamliner into regular service. M-10000 will chop one-third of the time off the present schedule for the run from Kansas City, Mo. to Salina, Kan., will travel the 187 miles in 3½ hours, including 9 stops. On the morning run from Salina into K. C., its passengers (only 108 of them if it carries a capacity load, for several seats have been removed to make room for luggage since originally built) will be able to buy a 35¢ breakfast and on the return run in the evening, a 75¢ supper. Figuring that actual costs will average $1 per passenger meal, U.P. will charge its dining losses up to sales promotion. To keep coffee cups on the table, when the streamliner hits its 90-mile-an-hour speed, a system of special snubbers has recently been installed.

The Santa Fe Railway is already planning to meet this greased lightning competition which it must face on the 67-mile run from Topeka to Kansas City. M-10000 is scheduled to make that part of its trip in 72 minutes, and Santa Fe, it is unofficially reported, expects to shave that by 2 minutes. To accomplish this, Santa Fe will either speed up its powerful new locomotive, M-190, which already operates on the Emporia–Topeka–Kansas City route, or will acquire other similar diesel-electric units to pull its standard coaches, air-conditioned probably to match U.P.'s improvement.

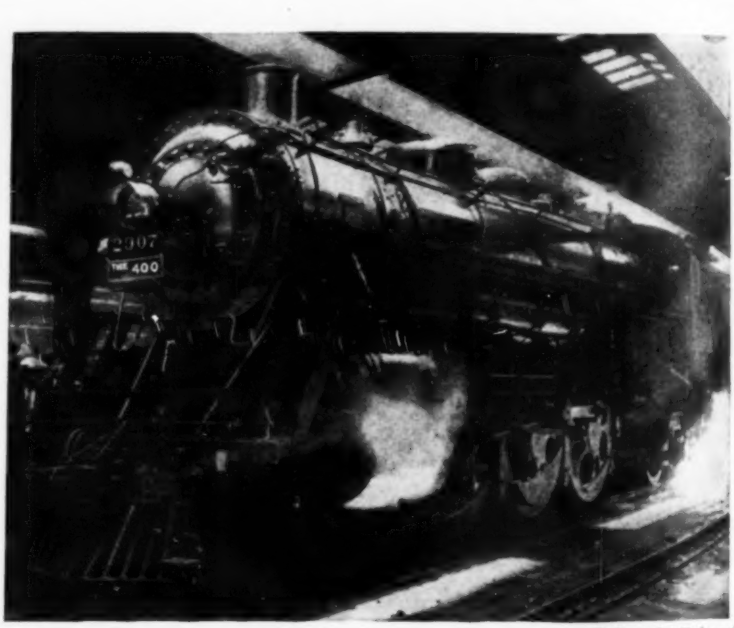
Later this spring U.P. and Santa Fe will fight it out over a vastly longer route—Chicago to the coast. U.P. hopes to whittle about 19 hours off its present 54½-hour schedule over the 2,228-mile route. One more car and a second engine are being added to M-10001, its 6-car streamliner, and 2 other longer units are being built. Latest revised plans call for 11-car trains, instead of 9 cars, with 2 diesel engines, one of 1,200 hp. and one of 900 hp.

To meet this competition, Santa Fe is pushing completion of its huge new diesel locomotive, believed to be the largest ever made, which has been under construction for the past 2 months. A double unit locomotive driven from either end, it will be powered with four 900 hp., 2-cycle, 12-cylinder, V-type engines (built by Winton Engine Corp., division of General Motors Corp.), will have a starting tractive power of 110,000 lb., a speed of 100 m.p.h. or better. Hitched to its crack train, the "Chief," Santa Fe hopes to cut 15 hours off its 55-hour schedule for the 2,364-mile trip between Chicago and Los Angeles, believes passengers will appreciate the smoother ride which heavier equipment presumably affords, anticipates that operating costs will at least approach the economies achieved by the lightweight streamliners. (A saving of 90% in fuel costs is reported for the "Zephyr.")

### Others Like Santa Fe

Considerably interested in Santa Fe's plans, Burlington will experiment with a locomotive of similar design on its Chicago–Denver "Aristocrat," and the Baltimore & Ohio has ordered one to try out in Eastern service.

Chief interest in the East centers at present in the schedule-chopping which



*Underwood & Underwood*

**POPULARITY RACE—Plenty of stiff competition looms for "The 400," ace new Chicago & North Western train which makes a 400-mile dash between Chicago and the Twin Cities in 400 minutes. Both the Milwaukee Road and the Burlington will throw high-speed, streamlined trains against it in the spring.**

the Pennsylvania Railroad will be able to do, probably in the next 2 months, when its fleet of 57 streamlined electric engines, most powerful of that type ever built, are ready for service. With complete electrification of the 227-mile route between Washington and New York City, P.R.R. should be able to better the 53.3 m.p.h. average which its "Congressional" boasts.

The Reading Company, competing with P.R.R. between Philadelphia and New York, is meanwhile experimenting with reconditioned, partly streamlined, coal-burning steam locomotives. Drawing 4 steel coaches and 2 Pullman cars, Reading's locomotive No. 108 last week made a 90-mile experimental run from Philadelphia into Jersey City in 88 minutes, including 3 stops.

## Lower Fares

**Eastman looks over the passenger trains—and the automobiles—concludes that fare cuts plus service improvements will bring rail customers back from highways.**

FAVORABLE results of experimental passenger fare cuts coupled with the findings of Transportation Coordinator Eastman's study of passenger traffic and the ICC's own investigation point definitely to reductions in the standard railroad fare rate of 3.6¢ per mile.

Contending that passenger business can be made profitable by adjusting the rate to the density of travel, J. R. Turney, director of the transportation service section of the coordinator's office, recommends coach rates of 1½¢ a mile for hauls under 100 miles and 2¢ for distance travel; for parlor- and sleeping-car accommodation the rate would be 3¢ and for luxury travel in high speed, de luxe trains, 5¢. The new rates would be subject to quantity discounts for family and party travel, and mileage books would be available to salesmen and other constant travelers.

The railroads generally are asking the ICC not to fix a specific maximum or minimum rate but to leave them free to experiment. Eastern roads contend that the rate in their territory can properly be higher than in other territories. Special rate reductions have brought the average revenue per passenger mile in the East down to that elsewhere, but the dominant Eastern roads don't want to sacrifice the high-class business travel which is not appreciably affected by the level of rates. Nothing short of an ICC order will get Pennsylvania, New Haven, and New York Central to make cuts.

A poll by Coordinator Eastman's office of 26,000 "customers" revealed them in favor of a rate of 1.91¢ (weighted average). Of these 26,000 individuals who presumably patronize the railroads occasionally, 25,000 are car owners who report an average cost of running an automobile of 6½¢ a mile; or 3¢ a mile exclusive of insurance, depreciation, and overhead. Mr. Turney comments that the ordinary car owner can not be persuaded that long trips increase the amount of depreciation, insurance, and similar costs, and asserts that the railroads have to meet what a car owner *thinks* is his cost. Turney's theory is that to break even the railroads would have to increase their rates slightly, but to make a profit would have to cut them in half. A poll of 700 railroad officials showed that 72% regard the present standard rate as too high.

### What They Lost

The railroads spent $200 millions more than the $500 millions they took in on passenger service in 1933; losses of $90 millions showed up in handling baggage and express, $60 millions in handling coach passengers, $30 millions in sleeping- and parlor-car passengers, $33 millions in dining-car services. Set up differently, main line trains lost $187 millions, branch lines $16 millions.

Rail passenger travel was no greater in volume in 1933 than at the turn of the century; in per capita expenditure it was less than in any year since 1871. Contraction is attributed almost entirely to the private automobile, as bus competition has captured only 15% of total common carrier passenger business.

The recommendations for improved service leave nothing for the traveler to do but put on his coat and hat after telephoning the ticket office that he is ready to go somewhere. Cab service, union stations, inter-company trains to eliminate changes, air-conditioned equipment on trips of any distance, collection and delivery of luggage, and transportation of the traveler's automobile for use at destination are a few of the ideas thrown into the lap of the railroads.

### Car Changes Sought

Numerous recommendations for improving equipment and operating methods include reductions in weight of cars and in the number of cars in trains, also substitution of motor trains or buses for steam trains. Acquisition of Pullman operations by the railroads is recommended to save $6 millions now spent in farming out sleeping- and parlor-car service.

Thousands who replied to the passenger ballot were not backward in expressing their preferences: 73% want air-conditioning; 60% want streamlined trains; 52% voted against tipping; 51% want station parking facilities; 45% want taxi delivery service; 45% want intelligible time tables and train announcers. Factors in rail transportation weighted according to the preference expressed for them were: convenience 74%, comfort 68%, speed 58%, cost 56%, safety 56%, scenery 30%, completeness of service 23%.

# National Retailers Go National

### Department store heads leave technical problems to department heads, debate the economics of the code era.

DEPARTMENT and dry goods store owners and executives, representing over 5,100 such establishments, packed the halls and corridors of the Hotel Pennsylvania, New York, last week, for the 24th annual convention of the National Retail Dry Goods Association.

In fact, the topics that commanded the interest of the executives who crowded the main ring of the show, the Grand Ball Room, differed little from those now engaging the attention of the 74th Congress. They were: unemployment reserves, NRA, federal relief, national housing.

Particularly significant was the association's approval of a "Retailers' Economic Security Plan," anticipating the President's message in its proposal of unemployment reserve funds, contributed by employers, employees, and individual states. It was suggested that old-age security be provided by federal and state cooperation.

It declared itself strongly opposed to all price-fixing devices, price-listing plans, all production control which results in raising prices. And, yet, after a year's experience under the loss-limitation provisions of the retail code (*#55:BW—Nov11'33*), it resolved that "it believes thoroughly in the value to all industry of loss-limitation provisions." (The distinction made was these are designed "not to fix prices or insure profits, but to prevent predatory price-cutting at the expense of living wages for the employee.")

With a gain of over 1,200 new members since enactment of NIRA, the association is planning an intensive drive particularly directed at small stores, hopes to build up its authority in point of numbers.

Federal Reserve figures show that 1934 sales of 450 department stores in 223 cities averaged 13% higher than in 1933. Gains by districts were: Boston, 5%; New York, 6%; Philadelphia, 9%; Cleveland, 17%; Richmond, 18%; Atlanta, 26%; Chicago, 18%; St. Louis, 15%; Minneapolis, 11%; Kansas City, 17%; Dallas, 22%; San Francisco, 11%.

## Mail Order Straw

### New mail order catalogue shows price cuts, many changes.

PRICES quoted in Montgomery Ward's new spring catalogue are slightly below fall 1934 quotations and average 6% lower than those of a year ago. That's how one mail order house reads the future. Ward has based prices strictly on current costs and if monetary standards should be changed, or new taxes imposed, such situations are to be met by adjustments as needed.

This latest catalogue, of which over 6 millions are being distributed, is some 70 pages larger than last year's, shows impressive contrasts with the old-fashioned mail-order methods that were in vogue when Sewell Avery took the helm (*BW—May5'34*).

As an example of the care with which illustrations have been selected, Ward's art department cites the fact that more than 200 legs were photographed in various positions to provide s.a. (sales appeal) for the hosiery pages.

The effectiveness of Ward's present policies is reflected in the record-breaking sales rise of 33% reported for the current fiscal year ending Jan. 31, 1935, while net profits for 11 months ended Dec. 31, 1934 are reported at \$9.3 millions against only \$2¼ millions for the same period of 1933.

## New Central Bank

### Argentina follows British suggestion and plans central bank.

ARGENTINA has about as many inhabitants as Canada. Individual buying power is high in both countries, making them considerably more important in world trade than numbers indicate.

Last year, Canada—urged by Great Britain—decided to create a central bank. It is just now being organized. Now Argentina—also urged by London—voted to establish one. It will probably be set up this year.

The new central bank scheme is thoroughly British, though it is nothing new to Latin America. Chile, Peru, Bolivia, Colombia, Venezuela, Brazil, and Uruguay all have central banks.

Sir Otto Niemeyer, London "money doctor," visited Rio de Janeiro and Buenos Aires several years ago, recommended in both cases the creation of a central bank which would hold the country's gold reserve (only the United States in the Western Hemisphere has a larger gold reserve than Argentina), act as a bank of issue, and offer rediscount facilities to commercial banks.

Argentina is accepting that advice now. The Banco de la Nacion is to become strictly a commercial bank, according to reports from Buenos Aires. The Caja de Conversion, present holder of the country's gold reserve, will be discontinued. A new central bank will be created, half the capital being furnished by the government (without voting rights) and half by commercial banks. Of 12 directors, the government will appoint 3, foreign banks 2.

Buenos Aires says that there are 4 reasons for establishing a central bank: to regulate the quantity of credit and means of payment, adapting them to the real volume of business; to promote liquidity and the good functioning of banking; to insure sufficient gold reserves to smooth out the fluctuations in the balances of payments due to exports and movements of capital; and to act as financial agent for the government.

With the establishment of central banks in India and Canada, Britain practically completed throughout the Empire the chain of central banks which is expected to strengthen Empire financial dealings. Addition of Argentina simply extends British financial influence where trade and investment ties are already strong.

## Foreign Trade

### Disappointed exporters expect little aid from Export-Import Bank in near future.

EXPORTERS are not greatly interested in the report that the Second Export-Import Bank is making a survey of "blocked balances" of American funds in foreign countries. For a year they have tried to become optimistic with each new announcement from Washington of a new "plan" which ultimately would boost foreign business. So far, Washington has made only a few empty gestures.

Blame is divided. Some say the State Department is delaying the agreements. Certainly Secretary Hull is an internationalist who will rush into no short-sighted agreements with a few countries which will jeopardize future trade relations with others. George N. Peek, the President's Foreign Trade Advisor, would, left to himself, act promptly and boldly. He dreams of barter deals which ultimately would broaden into triangular trade on a large scale. The two schemes clash. Some say that is why nothing has been accomplished to date.

Latest disappointment is the Brazil treaty. No one 3 months ago dreamed that it would still be under negotiation. Current rumor now is that most of the work of the last 6 months will be thrown overboard with the arrival of the new delegation from Rio. If the Brazil treaty is to be something of a model for other trade deals, and if new demands from Rio make it necessary to make a fresh start on the terms, certainly exporters can expect little from Washington this spring that will help them.

# Business Abroad

## World watches maneuvers looking toward new Franco-German rapprochement. Swiss fly storm signal in world monetary storm. Nazis float internal consolidation loan. United States and Far East exchange trade missions.

EUROPE's business as well as political interests centered in Geneva this week and the problems discussed there were of sufficient weight to focus world attention.

Germany's success in winning back the Saar in an honest plebiscite has roused two sets of reactions. Though in general everyone is pleased, there are countries in which German minorities live as a result of the demarcation of boundaries at Versailles 15 years ago. Governments in these countries are slightly worried. With Poland, Germany has made terms guaranteeing the status quo for 10 years. But in Lithuania, in Czechoslovakia, and in Italy there are fairly large groups of Germans who have been stirred by Nazi propaganda. Will Hitler's need of a "foreign injustice" to keep his followers strongly behind him force the Berlin government to take up the cause of these minorities? Or will the goodwill gestures of the French, and the pressure of combined French, British, Italian, and Russian public opinion force Germany into the vast non-aggression pact system by which Rome and Paris and Moscow expect to keep peace on the Continent?

**To Meet in London**

Responsible opinion in Berlin is still skeptical over the future. Paris is genuinely hopeful. London has indicated that it will support the Franco-Italian pact to preserve the integrity of Austria. French officials will soon go to London to secure this backing in writing. British officials are expected to stand behind the whole Rome agreement only if Germany will become a member of the Eastern Locarno accord (non-aggression agreement in the Danubian region where boundaries were juggled and pawned after the War). Another two months should bring answers to all the questions asked now by anxious business men who are afraid to make normal commitments until they have at least this formal assurance that national antagonisms are to lie dormant for a time.

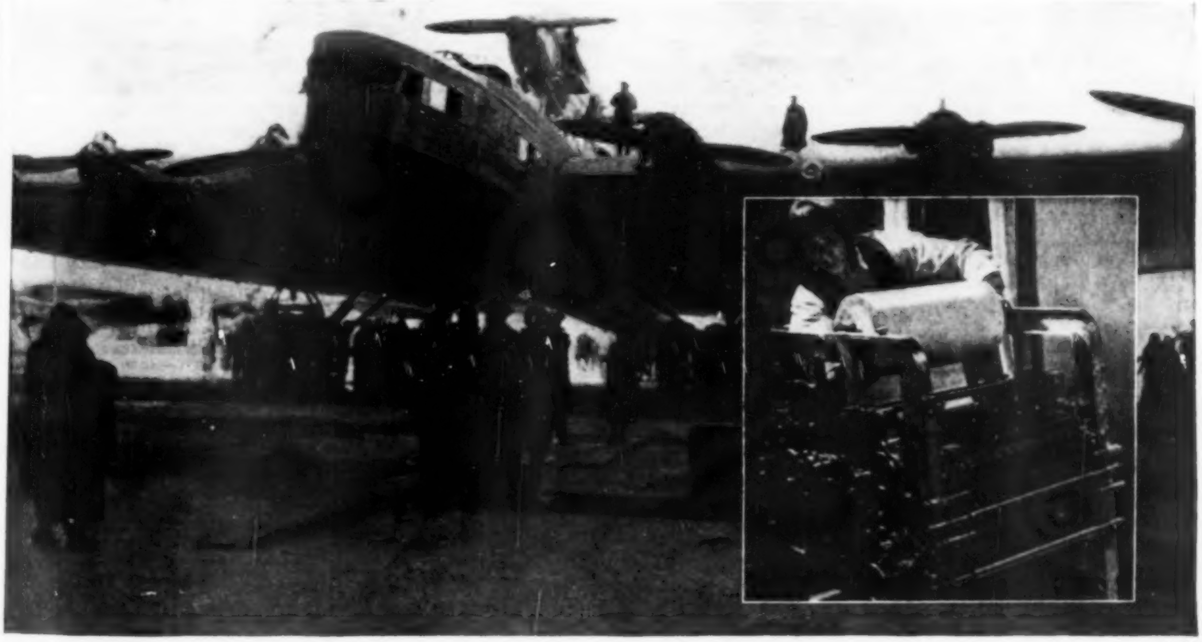
Attracting equal attention, at least among bankers, is the storm signal from Zurich that Switzerland's monetary system is running into heavy weather. Switzerland is one of the five countries remaining on the gold standard. Some weeks ago, Swiss hotel keepers demanded (and received from the government) permission to set up a "tourist franc." It is the regular Swiss franc, but it is offered to travelers at less than the official exchange rate and is meant to encourage travel in Switzerland.

This week the very democratic Swiss government was embarrassed by a demand from the nation for a referendum on the government's "crisis policies." It is carefully disguised. It does not mention specifically the desire on the part of the people that Switzerland leave the gold standard. But it does demand that the government prevent any further lowering of prices and wages, that it come to the aid of the debtor classes, and that it guarantee a subsistence wage to all citizens. Critical observers abroad believe that it may be the beginning of a move which will take Switzerland off the gold standard.

# Germany

## Savings banks absorb first large government bond issue. Industrial activity expands. Television pushed by government.

BERLIN (Wireless)—German business has been buoyant this week following the success of the Saar plebiscite and the better outlook for German foreign relations. Bank stocks received a further boost from the Metallgesellschaft report of dividend resumption. It is the largest concern in the non-ferrous metal group and is considered something of a barometer of German business activity. Resumption of dividend payments by the large industrials encourages the pros-



*Soviet*

**SOVIET WONDER PLANE—A propaganda factory of big capacity, the 8-motored "Maxim Gorki" is one of the world's largest airplanes. It has a wing spread of 209 feet, useful load capacity of 8 tons, speed of 150 miles per hour. The ship is designed for nationwide educational work, is equipped with a printing press (insert), movie screen and projector, photo laboratory, giant loud-speaker, telephone station, and radio. Passengers and crew have a bar buffet, bathroom, complete day and night accommodations.**

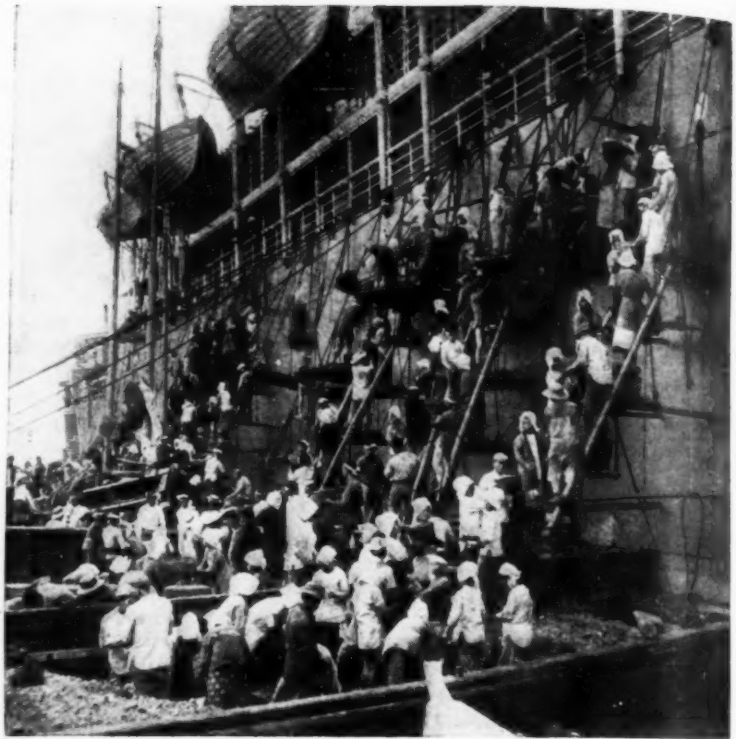
pect that banks, which hold these shares, will themselves fare better, will possibly return to a dividend basis.

Other business indicators are encouraging. Electric consumption is up. Rail receipts are running about 15% ahead of a year ago, with hopes developing that the railroads will return a small profit for 1934. Pig iron and steel production are well ahead of records for the previous year. Automobile registrations are gaining rapidly, though American producers are finding it impossible to get their money out of Germany so are refusing to ship to German distributors. Only Ford, of the American manufacturers, is expected to display at the annual salon in February.

**Savings Banks Absorb Loan**

The long expected government consolidation loan made its appearance this week with the issue of 700 million marks (about $280 millions) of 4% bonds which were foisted on the savings banks, almost the only institutions sufficiently liquid to absorb any vast amount of bonds. These funds will replace a part of the short-term debts now outstanding. Further financing is expected just as soon as the market can be prepared for it.

Germany, like Britain, is devoting a great deal of attention to the development of television. Not only does the German government serve the German radio industry with an excellent daily television program, but the official television laboratory in Berlin has produced some very interesting devices now used by the German radio industry for constructing television receivers to be sold at very reasonable prices. There are now five companies in Germany manufacturing television sets. One receiving set, with 3.9x5.9 inch screen, is selling for as little as $220.



Underwood & Underwood

**WOMEN AT WORK—The Japanese have made long strides in mechanization but still have developed no machine that will coal ocean liners as cheaply as human laborers. Now, as decades ago, coal in small rope baskets passes from waiting barges up these human conveyor lines to the bunkers of big trans-Pacific steamers.**

# France

**Stocks firmer, bond prices rising. Citroën reorganization under way.**

PARIS (*Wireless*)—Last week's recovery on the Stock Exchange following the peaceful settlement of the Saar question has continued, rentes going to new highs. Gold shipments continue to leave the country but in no great volume. Exchange is steady.

Less favorable factors are the increase in the number of unemployed, the sluggishness of the export trade, and the fresh rumor that a famous Paris department store is really in serious financial difficulties. This is less upsetting in itself than as an indication of weakness likely to appear in other retail institutions. Negotiations for reorganization of the bankrupt Citroën company are reported to be making progress. Michelin (France's great rubber manufacturer and large creditor of Citroën), Banque Paris, and Lazard Frères are leaders in the reorganization syndicate.

French foreign trade for 1934 has its bright and its gloomy aspects. Exports declined only a little more than $3 millions below the 1933 figure. Imports dropped $36 millions, which made possible a cut in the trade deficit of nearly 48%. Officials attribute the cut in imports last year more to the quota system than to any other factor. Greatest import drop was in raw materials. Manufactured goods suffered the greatest shrinkage in the export field. Commerce with the colonies now constitutes nearly 30% of total foreign trade.

# Great Britain

**London is nervous over the long-term future. Cheaper yen darkens foreign trade outlook.**

LONDON (*Cable*)—The high level of gilt-edged security prices is causing a rush of municipalities and similar bodies to the market for conversions. These issues have the approval of the Treasury and range from £10 millions for the London County Council to £2 and £3 million issues for smaller localities.

Strong municipalities and such organizations as the Metropolitan Water Board, the Mersey Docks and Harbor Board are now able to borrow readily at $2\frac{3}{4}$%. The deduction is that the Treasury is prepared to keep the market firm for some time to come. It will certainly endeavor to keep it at not higher than $2\frac{3}{4}$% until the bulk of the borrowing under the new housing bill is contracted. This bill (*BW—Jan12'35*) received a good press when introduced this week. There is the possibility that once it becomes law, the government will go to the country, fixing the election date about November. This is, so far, only a surmise.

The cabinet has taken a distinct pro-German turn in foreign affairs and will do its utmost to persuade France and Italy to agree to German arms equality under a limitation agreement, thus reopening the League door to Hitler. The adverse balance of British trade and the shrinkage in invisibles is making the government apprehensive of the future. The outlook is not improved by the German barter pacts which seem to be especially successful in regions where British trade is most involved. If British support to Germany's arms equality plea could affect both the actual situation and Britain's own psychological attitude to Hitler, a new series of German banking credits might become possible, the barter movement being thus rendered unnecessary.

There is apprehension also concerning the full significance of the increase in the official Japanese price for gold. More depreciation of the yen means two things to Britain: increased competition in foreign markets from cheap yen goods, and fears of a Japanese default. Japan's exports are heavy, her budget is unbalanced, her military program is strong—it might pay her both financially and politically to stage a default some time ahead. Japan's sterling loans amount to about £85 millions. Of her debt service, some £8 millions come to London.

M. Flandin's visit to London has revived rumors that France is pressing an immediate stabilization of sterling. The official British policy is unchanged—an "independent pound" with readiness to discuss stabilization when Roosevelt makes the right move. Under no circumstances will the pound be linked to gold. If there is no chance of world stabilization—and at present there *is* no chance—Britain would prefer to risk the temporary upset to her exports of devaluation by the gold bloc, in the expectation that their linking themselves to sterling would follow and thus give a new and enlarged sterling bloc in which new trade agreements could be made leading to a kind of sterling free trade area. Experts agree that sterling momentarily is over-valued when compared with the dollar, and under-valued against the franc. A big adjustment must therefore be made before world stabilization is feasible. If the trouble over the gold clause in the United States is overcome, this adjustment might take place. It is now generally assumed in London that Roosevelt has abandoned the policy of continuous dollar depreciation and that he will not again throw the exchanges into confusion, although he would naturally take steps against any great appreciation of the dollar against sterling.

## Canada

**Parliament receives Bennett program for economic and social reform; legislation to be rushed. Government will subsidize wheat farmers if necessary.**

OTTAWA—The "speech from the throne" confirmed to Canadians the determination of Prime Minister Bennett to get busy at once on his program of economic and social readjustment. Program for the legislature announced in the speech varies little from the Prime Minister's recent broadcasts (*BW—Jan12;Jan19'35*).

Whether Bennett's declared intention of putting through these measures at this session is realized will depend on the political strategy of the parties on the eve of a general election. The Opposition might conceivably decide to let them pass without approval or condemnation in order to get the government to the country the sooner. Should the Opposition decide to challenge each piece of legislation in prolonged debate, Bennett would have two courses open. He could invoke the parliamentary rule of closure to limit debate and with his substantial majority force through his legislation in a short session, claiming that the country wanted action rather than talk. Or he could meet an Opposition blockade by dissolving parliament and appealing to the country on the ground that he desired to put his measures through without delay but was prevented by the Opposition.

Mackenzie King, Opposition leader, answered the challenge of the Prime Minister by maintaining that the government had stolen its new policy from the Liberal party, and therefore he was not prepared to oppose it.

Also revealed in the opening sessions of parliament was the fact that Washington and Ottawa are to open negotiations soon on a reciprocal trade agreement. A new agreement was made with France last year, and one with Austria renewed. Poland is the only other major country with which trade negotiations are now under way.

### Bonus to Wheat Farmers

Wheat held market attention all week. John R. McFarland, general manager of the central selling agency of the Canadian wheat pools, and representative of the Ottawa government in its policy of supporting Canadian wheat prices, declared recently that May wheat will stay pegged at 80¢, despite pressure at that level, and that he will take delivery in May. In usually well informed quarters this is interpreted as presaging creation of a government wheat board to take over the wheat altogether at the pegged price or the market price at the time of acceptance and to dispose of it gradually as the world market will absorb it and at such prices as can be obtained. This would mean that the government would stand the loss involved in the difference between prices at which it was able to sell the wheat and the price paid to the farmer at time of delivery. This difference would amount to a bonus to the farmers.

It is believed that McFarland holds about 244 millions of the 257 million bushels in storage, and that it cost him from 80¢ to 85¢. Carrying charges amount to about a cent a bushel a month, or in the neighborhood of $2½ millions.

The market has rallied after the recent slump but Canadian wheat is moving out slowly. It is estimated that about 90 million bushels have been exported since the commencement of the crop year. Last autumn's predictions from London that Canada would dispose of the bulk of the carry-over during the crop year are now recognized as having been based on miscalculations. If the government establishes a wheat board to assume outright ownership in May it will not dump wheat but with Argentina in the market it will doubtless take what loss is necessary to reduce its holdings.

In view of the approach of the general election, no other course than the maintenance of the peg and acceptance of delivery was open to the government without its facing serious loss of prestige in the Prairie Provinces.

## Far East

**Orient and United States plan exchange of trade missions.**

BUSINESS men from the United States will leave the Pacific coast in March on a trade mission to Japan and China. Call in Japan will be brief; in China, the commission is expected to spend as much as three months studying trade possibilities and the peculiar demands of the Chinese market.

Japanese executives are also planning a trade visit. In cooperation with the government a group of Japanese leaders plan to come to the United States this spring to study possibilities for a reciprocal trade agreement. Japan is one of America's "big five" markets, takes vast quantities of raw cotton, lumber, and machinery. China buys much less but is almost always one of the 10 largest markets for United States exports.

There is a rush of yearend business in China. Oriental New Year comes on Feb. 3 this year and the Chinese, according to custom, are struggling to settle all outstanding obligations by that time.

## Latin America

**Brazilians arrive for default and trade talks. Argentina will build system of grain elevators.**

TRADE delegates from Brazil arrived in New York this week to carry on discussions with bankers and exporters before continuing to Washington to negotiate with government officials concerning both the default on foreign debts (*BW—Jan12'35*) and the new trade agreement, pending now for many months. The commission is expecting to continue to Europe within three weeks, so that some decision is likely to be announced within that time. Shipments to Brazil are being temporarily held up until the foreign exchange and interest payments are settled.

Argentina's plan for a new central bank (page 24) caused small excitement in New York. Sir Otto Niemeyer recommended this move in Buenos Aires several years ago, and with the Argentine always strongly influenced by Britain, New Yorkers have rather anticipated the move.

### After Building Materials

What did stir exporters in the United States is the report that the Grain Elevators Committee, appointed some time ago by the Argentine government to consider the construction of vast storage facilities within the Argentine which would make it no longer necessary to dump Argentine wheat on the market no matter what the price, has provisionally approved a plan for the construction of 14 terminal elevators, with a total capacity of 660,000 tons, and 450 camp elevators with a total capacity of 650,000 tons. Plans and specifications for the terminal elevators have already been drawn up, and it is understood that tenders for their erection will shortly be called for.

Credit conditions and collections in Latin America are improving. According to the latest report of the National Association of Credit Men, credit conditions have improved in 16 of the 21 republics. Greatest gains have come in Puerto Rico, Venezuela, Colombia, and Cuba, though there has been marked progress in Panama, Argentina, Brazil, Peru, and Salvador. Collections are most prompt in Peru, Mexico, Puerto Rico, Venezuela, Cuba, Haiti, Panama, Colombia, and the Dominican Republic.

# Money and the Markets

## Financial world, waiting for gold clause decision, studies Treasury program that includes longer terms, baby bonds. Stock traders read only court news—on which bond market thrives. Cold wave lifts farm prices.

THE financial world recovered its poise during the last week, but uncertainties about the outcome of the gold clause litigation put a dead hand on new activities. The Supreme Court, recessing Monday without a ruling on the gold contracts, left the issue in the air until Feb. 4 at the earliest. However, it is generally agreed that even a decision against the government—given an outside chance—would only require a reshuffling of the monetary New Deal. So the gold clause case should mean, at worst, merely an interim of unsettlement while new measures were put into effect.

Even with this feeling prevailing, new commitments were largely avoided this week. Security quotations, exchange values, and commodity prices rebounded from their severe depression and then stagnated, awaiting a new incentive to move them.

### Heavy Influx of Gold

But for all this passivity among financial people, things of profound significance were happening. Outstanding were accretions of almost another $100 millions to gold stocks drawn in by the enhanced value of dollars against foreign currencies. Imports since last November approach the $300-million figure, nearly half the amount of the gold rush last February and March after the dollar was again tied to gold and $690 millions of repatriated and foreign gold poured back from Europe.

In Washington, the financial program of the government took more definite form. Government lending activities are to be continued, as indicated by proposals to extend the life of the Reconstruction Finance Corp. (page 15) and the Commodities Credit Corp., to give more bonding power to the Home Owners' Loan Corp. Government control is to be tightened. Lending agencies will be made more directly accountable to the Treasury and its central loan committee. The Administration, unhappy over what it considers a niggardly credit policy among the banks but restrained from launching its program of bank changes until its new Federal Reserve Board governor, Eccles, has been confirmed, started to weed out the old-timers of the Reserve system. Directors of the individual banks who have held office for 6 years or more are to be replaced. New, liberal blood is in order.

Plans for the Treasury's big financial program were likewise further unfolded. Authority is sought for more long-term bonds, more notes, in lieu of short-term certificates and discount bills. Most revealing was the proposal for selling "baby" bonds, the first definite step toward a popular flotation.

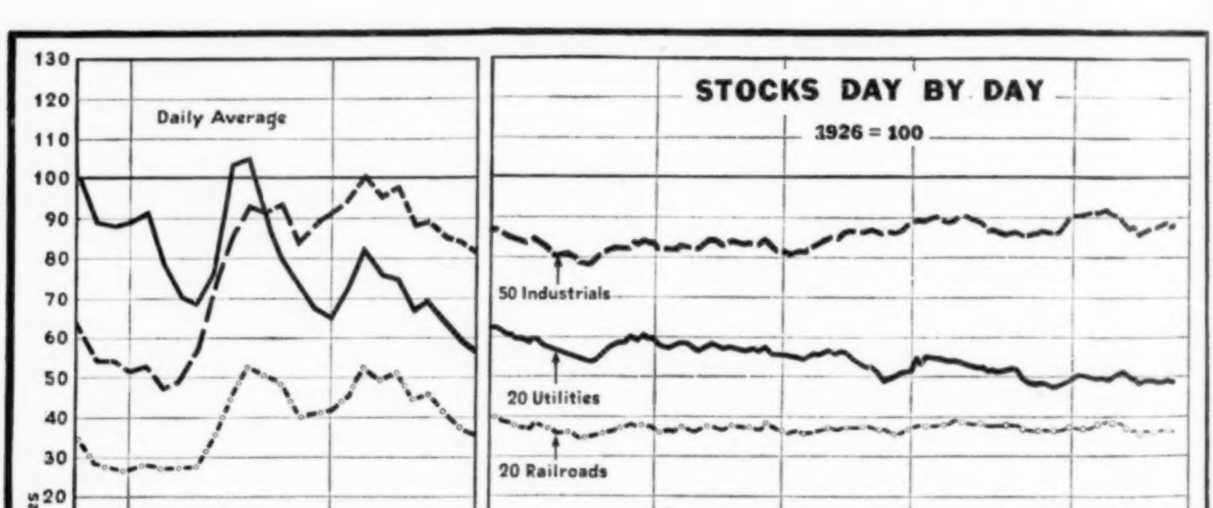
The present bonding authorization has to be raised. The Treasury has been working under limits that restrict additional long-term bonds to $2.5 billions, medium-term notes to barely $500 millions, with the only latitude in certificates and bills. The proposed new authorizations merely change the wording of the law to give credit for $12 billions of bonds retired or replaced and to consolidate notes and bills into one aggregate amount. But they would put the Treasury in a position to go along financing current requirements with longer durations and refunding the heavy floating debt as opportunity presented.

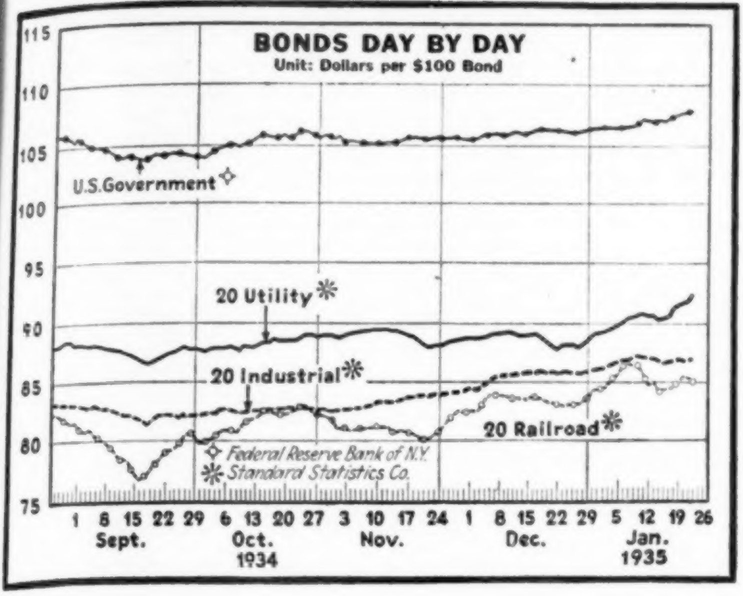
Stage preparations for that switch to long-term financing are approaching completion. Notwithstanding the hesitant disposition of the markets recently, government obligations have been forced to new high prices by the irresistible pressure of idle funds seeking investment. The $3\frac{1}{8}\%$ bonds issued last December at par now command 4 points premium. This reflects the demand from institutions, corporations, trusts, and from large investors who want tax-exemption.

### Governments Hit New High

Baby bonds are expected to bring in small buyers. They would range in denomination from $25 to $10,000, the last figure representing the maximum purchase allowed in any one year. Durations would be 10 or 20 years and interest would be provided by sale at a discount from par instead of through coupons. Each month a block of such bonds would be offered for subscription at a specified discount, possibly through post offices.

A return of $2\frac{1}{2}\%$, such as is discussed for the initial offering, would mean a






price of $78 for a $100 bond maturing in 10 years. There would be no periodical interest return and the bonds would not be marketable. Instead, the Treasury would arrange to repurchase at fixed semi-annual dates, compensating the holder for accrued interest. So set up, the bonds would be practically unusable by large accounts or institutions.

**Bank Interest Cuts a Factor**

Whether the scheme would work is questionable. An attempt to sell small denomination bonds a few years back didn't get far, and the only successful move in that direction was that made possible by the huge patriotic campaigns used for war financing. But the stage setting may make a difference in this case. The compulsory reduction of savings bank interest is merely delayed, not abandoned, and voluntary cuts are generally in effect. Consequently a $2\frac{1}{2}\%$ return on the bonds would compete directly for savings deposits. Furthermore, the plan would lead to elimination of postal savings bonds, leaving only the 2%-bearing postal certificates available for savings with the government's system (page 20). Retirement of outstanding postal bonds would free some $89 millions that would be expected to go directly into the new bonds. While the amount is inconsequential, it would start the ball rolling.

In combination, the recent developments are inflationary but, at the same time, they argue against the possibility of monetary manipulation. Elaborate preparations for orthodox, if novel, financing indicate no thought of using gold profits or currency issuance to meet deficits. However, more gold is being translated into excess bank reserves, currently standing at $2.1 billions and representing a potential credit inflation of $20 billions. Also the sale of bonds to bank depositors is ultimately inflationary because it converts inactive time deposits, first into government deposits and then into commercial balances as the government spends the money.

## Stocks

Speculative security transactions have declined to a practical standstill, operators having retreated to the sidelines until they hear from the Supreme Court or are stirred by some stronger incentive than is provided in the current news. In that frame of mind, even a spectacular gain in steel recovery, ordinarily a potent market influence, has been disregarded. Utility stocks have been whipped around on the succession of Washington developments in the holding company situation but generate no considerable interest and net price changes are negligible.

So small is the volume that buying of preferred stocks has made up a large part of the recent business, interest in that division having been stimulated by a number of dividend resumptions and back-payments.

Average prices have retraced about half the course of the January break and struck a stalemate. In the rally the heavy industries were singled out for special attention, steels and electrical equipment featuring the trading. Merchandising shares, chemicals, even the oils, were in demand for a time, the latter reflecting the progress of regulation through Congress.

## Bonds

In the face of disturbances in other markets incident to the gold contract controversy, bonds are being pushed to progressively higher levels by an investment demand that has actually grown more intense because of the intrusion of this new element in the picture.

Its influence works in two ways. The flurry of switching into obligations carrying gold clauses started off the buying wave. In that movement, governments generally pushed up to a new tidemark and held it. That seemed to unleash buying by investors who had been hesitating in the thought that a top had been reached and that a possible reaction was in store. Additionally, the gold episode has deferred resumption of new capital financing and disclosed the likelihood that new offerings will be of a moderate amount (page 16).

Lower-grade railroad bonds have been providing a secondary feature for the market, their recovered attractiveness resulting from the Reconstruction Finance Corp. plans for refinancing and reorganization of the weaker lines (page 15). Prices have erased practically all the slump of 2 weeks ago, when this group was among those hardest hit by the fear that senior obligations might be increased 69% by enforcement of the gold clause contracts.

Municipal bonds have completely ignored the gold clause situation. No appreciable price distinction is made between gold and legal tender bonds and new offerings have continued to attract keen bidding.

# Commodity Markets

With almost complete cessation of speculative operations actively traded commodities have suffered in price, and after registering a technical rebound from the recent break, prices have drifted with narrow meaningless fluctuations. Enough uncertainty has been introduced to hold buying for consumption to a hand-to-mouth basis in most items, although heavier inquiries were induced by the lower prices in cotton, rubber, wheat and flour.

Another widespread cold wave that swept the farm areas and extended far into the Southern states brought some direct price movements and further complicated the supply situation in farm commodities. Hogs and cattle were elevated to new high levels by the short receipts at stockyards and the realization that sub-zero weather was accentuating the feed problem. Poultry and dairy products were similarly affected, and fear was expressed for the early growths of Southern vegetables and fruit crops. Heavy shipments of canning materials to Southern sections touched by low temperatures indicated that salvage of damaged crops would add to the already heavy pack, but concern about the canners' ability to move stocks at profitable prices was lightened by the prospects that fresh supplies would be curtailed.

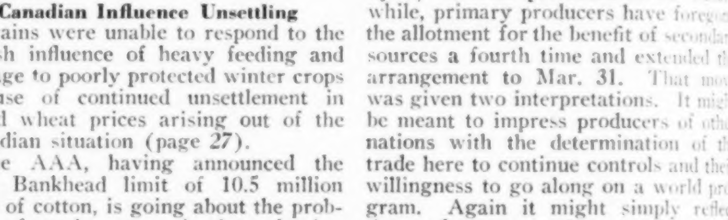
### Canadian Influence Unsettling

Grains were unable to respond to the bullish influence of heavy feeding and damage to poorly protected winter crops because of continued unsettlement in world wheat prices arising out of the Canadian situation (page 27).

The AAA, having announced the 1935 Bankhead limit of 10.5 million bales of cotton, is going about the problem of trying to stimulate foreign demand for the American surplus of that commodity. The new crop, with 700,000 bales added to account for allotments unused last year, indicates a carry-over next August of 8.5 million bales, some 3 millions more than is desired. In addition, of course, it is hoped that foreign markets will be recovered to a point where crop curtailment can be lifted in time. In that direction a conference to develop export plans has been called for next week, and Secretary Wallace has disclosed plans for proposing to other producing nations a world agreement on controls. Incidentally, some fear that the Bankhead Act may be declared unconstitutional is indicated in the move of AAA to cut another 10% from acreage.

### Weigh World Copper Control

Interest in the copper trade is at white heat with the arrival of Belgian-South African copper interests; presumably for a conference to arrange international production agreements, although that motive is denied. Users of the metal both here and abroad have been increasing their orders, but their demands have not been spurred enough to give prices any lift. The most optimistic expectations for the conference would not indicate an early advance in the 9¢ price in this country anyway, for the objective is to bring world prices up 2¢ to that protected level. Meanwhile, primary producers have foregone the allotment for the benefit of secondary sources a fourth time and extended the arrangement to Mar. 31. That move was given two interpretations. It might be meant to impress producers of other nations with the determination of the trade here to continue controls and their willingness to go along on a world program. Again it might simply reflect the modest expectations for immediate business.



# Editorially Speaking—

It would be easy to make satirical remarks on the fate of National Thrift Week. Its executive committee, too thrifty to go into the red, and unable to raise any money for support of the 18-year-old movement, has about decided to wash up and go home.

It may be just as smart to be thrifty as Macy's says it is. "The Ten Commandments haven't been repealed, and virtues like thrift are still to be counseled," the committee remarked. But it feels there is no use preaching saving just now, when everyone else is urging people to spend, with the government setting the pattern. There are other things to be said, of course. Too few people have anything to be thrifty with just now. And the good old-fashioned homilies about thrift get the Bronx cheer from folk who did save and save—only to see their savings wiped out, whether they were in banks, or invested in real estate, or guaranteed mortgage bonds, or what not.

Loss of respect for the virtue of thrift is just one of the countless items in the bill we are paying and shall have to pay for this depression. As soon as the privations of the early settlers had been overcome, America became a careless, wasteful country. Careful savings had no place in our mode of life. It took the World War to teach the habit of investment. It took earnest and concerted proselyting by insurance companies, savings and loan associations, and savings banks to multiply thrift converts into important proportions.

The tragedy is that the growth of thrift coincided with the great boom, and the proceeds of thrift went into inflated securities. The thrifty feel betrayed, by the course of events if not by rascals. It will take years to rebuild confidence and recreate the saving habit. And the greatest loss is in national character, not in dollars.

Apotheosis of something or other is the streamlining of baby carriages. New models at the Chicago furniture show have knee action, too. Balloon tires are old. Automatic feed and a good muffler come next.

A "wink" is 1/200 minute. The unit was invented by motion study experts, in whose sight a minute is as a day. And now they have a clock, driven by 110 volt a.c. synchronous motor, which measures "winks." The long hand goes round the dial 20 times a minute.

Palladium, cousin to platinum, known since 1803, has become commercially important and last year gained fast in favor. It costs $23 an ounce as against platinum and gold at $35. Principal use so far is in dentistry, but it also is used in bookbinding (for edge gilding and die stamping) and palladium leaf has various decorative applications.

The tree belt plan isn't dead by any means. Early reports to this effect were exaggerated. The Forest Service is doing preliminary work out of an office set up in Lincoln, Neb. It is making short-term leasing commitments with landowners, carrying option to renew on long lease, or to buy. The plan is to buy seedlings from commercial nurseries, at least for a start. Soils and tree types are being tested.

Accountants insist at least one good result will come out of the unsuccessful prosecution of Samuel Insull. They say at least they'll have few arguments with corporate clients henceforth over the question of whether to enter as income stock dividends retained in the portfolio of the recipient. The practice won't be popular hereafter.

Allis Chalmers held open house in its 155-acre Milwaukee plant a week ago for 30,000 guests. The morning was given over to 18,000 employees and their families—the first time papa ever had a chance to show Minnie and the kids where he worked and what he did. In the afternoon, 12,000 other guests filed through the 3 miles of shops and foundries to glimpse the 150,000 h.p. turbines being built for Boulder Dam, jump when 2 million volt artificial lightning crackled, study all the machinery used to produce and process wheat, from plow to flour mill. A good time was had by all.

Floyd B. Olson isn't going to turn Minnesota into a cooperative commonwealth, after all. When the Farmer-Labor Governor was reelected by 75,000 plurality, it was taken for granted by apprehensive Easterners that he would forthwith put his platform into law. He was for publicly-owned utilities and packing plants, state-owned banks, state price-fixing, and other things as radical. But the first test in the new legislature shows the conservatives in full control. Olson's personal popularity, it now appears, is one thing; faith in his ideas is something else again.

In an article headed "Oil Burner Battle" (*BW—Dec29'34*) the statement was made "Delco dropped its unit to $295 all over the country." This statement was too broad. Delco's minimum installed price is $285 (in New Jersey). In Maine, New Hampshire, Eastern Massachusetts the lowest installed price is $315, a reduction from $340 last August. Generally the new Delco prices run from $300 to $315.

# BUSINESS WEEK

The Journal of Business News and Interpretation

JANUARY 26, 1935

## Let's Not Be Stampeded

This is a particularly docile Congress, but it is earnestly to be hoped that it has retained enough independence to ignore the President's insistence that the social security program be rushed into law within a few weeks.

The reason given for haste—that 44 state legislatures are in session, and will not be again until the next odd-numbered year—is not overwhelming. Special sessions can be called. Or, for that matter, a country which has existed this long without unemployment insurance and old age pensions can wait until 1937 to found them.

But the reason for deliberate action is imperative. The Wagner bill is complex, confused, full of holes, full of faults. It ought not be passed without many amendments, some of them drastic. The job of overhauling it will take time.

In saying this, we are not lining up with those who oppose enactment of a social program. Nor are we arguing that no action should be taken until the perfect law has been devised. There never was a perfect law, and we think this session of Congress might well make a beginning on the social program. But this is going to be a long session. With diligence and the determination to do the job right, Congress can frame a vastly improved bill in 6 or 7 months, and pass it.

The most serious defect in the Wagner bill is that it sets up no standards to which a state must conform in order to share in the fund collected by federal taxation of payrolls. Any old kind of bill would empower a state to demand its share.

The only excuse for federal intervention is the great desirability of uniformity. Yet the Wagner bill wholly ignores this fundamental. It should take no extended argument to prove that unemployment insurance plans cannot be allowed to vary between states. In the first place, if there is a great disparity between benefits, labor will be effectively restrained from moving out of generous states to states less generous—or, shall we say, more prudent? Conversely, states desirous of attracting labor from their neighbors have here a powerful means of recruitment. Second, left entirely to the play of their own politics, how many states will enact sound plans? What kind will Huey Long's kept legislature enact?

Tucked deep in the tremendous verbiage of the Wagner bill are labor provisions which deserve to be dragged out for careful scrutiny. No state may refuse a man benefits because he declines to go to work in a plant where there is a strike, nor may he be denied benefits because he will not go to work in a factory where he would be required to join a company union, or where he would be obliged to resign from a labor union. It is highly significant that these are almost the only requirements set up for state participation! Not actuarial soundness, not rate of benefits proportioned to normal wage or to length of service—none of these things concern the Senator, but only the labor clause.

It is our belief that employees, employers, and the state should contribute to any unemployment insurance plan. Not because of abstract economic principles (it is debatable whether any are involved), but for very good psychological reasons. The workman has a right to feel that the benefits are something to which he is fully entitled because he paid for them. The 3-way plan also is the best insurance known against constant hiking of benefits under political pressure. The workman will hesitate to increase his contribution, the employer resists for the same reason, and even the hardiest legislator hesitates to increase taxes that fall on the great body of his constituents, instead of on a special class, as employers. Any law passed should require this.

It would be better, too, if the Wagner bill were split into parts, each dealing with one subject. That would lead to clear thinking, and to discrimination. It should not be necessary to vote against unemployment insurance because of unsound provisions in an old age annuity plan; it should not be made necessary to vote for an unsound unemployment insurance plan rather than kill the desirable parts of an omnibus bill. To force such wholesale approval or disapproval is an old piece of political strategy. Let the measures be separated, and each can be considered on its merits. Then there will be better chance of getting sound amendments.

Social benefits, once instituted, never can be abandoned, seldom can be diminished. Sound beginnings are all-important. It appears that the effort to stampede Congress into precipitate and unqualified endorsement of the Wagner bill, as is, already has aroused opposition both among experts and among the members of Congress. More power to them.

## Washington Takes Over the Banks

Organized business seems wholly unconcerned with the practical certainty that our banking and credit system is about to be nationalized and socialized in fact if not in form. The Administration goes serenely about the business of preparing to take complete charge and nothing is being done either to forestall the scheme or to protest against it.

Nationalization is to be accomplished not by creating a central bank owned by the government, but by converting the Federal Reserve System into a central bank wholly controlled and operated by the Administration. It is to be socialized in the sense that the credit of the country is to be controlled and dispersed for financing whatever the Administration considers a fitting expenditure in behalf of social welfare.

Plans are drafted and appointments agreed upon quite openly and complacently as though the laws had already been amended and confiscation had taken place. The governors of the Federal Reserve banks are to be appointed and there is extended discussion as to who will constitute the board of directors for the 12 Reserve banks. The fact that the commercial banks of the country have invested their money in the capital of the Federal Reserve banks and by law appoint two-thirds of the directors is completely ignored. Ignored also is the indisputable fact that extra legal control over the Federal Reserve System was almost solely responsible for the inflation of the '20's and the depression of the '30's.

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